

Mosman Municipal Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

*Proud to be Mosman | Protecting our Heritage | Planning our
Future | Involving our Community*



Mosman Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

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General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

Civic Centre, Mosman Square, MOSMAN, 2088

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.mosman.nsw.gov.au

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 06 October 2020.



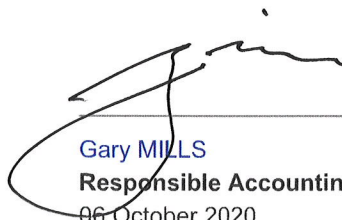
Carolyn CORRIGAN
Mayor
06 October 2020



Libby MOLINE
Councillor
06 October 2020



Dominic JOHNSON
General Manager
06 October 2020



Gary MILLS
Responsible Accounting Officer
06 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
27,427	Rates and annual charges	3a	27,460	26,911
12,467	User charges and fees	3b	8,636	11,416
5,330	Other revenues	3c	2,554	5,798
2,900	Grants and contributions provided for operating purposes	3d,3e	3,176	3,110
1,525	Grants and contributions provided for capital purposes	3d,3e	1,802	2,403
502	Interest and investment income	4	287	424
–	Fair value increment on investment properties	11	1,578	1,829
–	Rental income ¹	14e	3,645	–
41	Net share of interests in joint ventures and associates using the equity method	19	108	132
50,192	Total income from continuing operations		49,246	52,023
Expenses from continuing operations				
20,050	Employee benefits and on-costs	5a	18,219	18,643
369	Borrowing costs	5b	401	338
15,551	Materials and contracts	5c	13,737	13,317
5,463	Depreciation and amortisation	5d	5,736	5,656
6,607	Other expenses	5e	7,403	7,881
200	Net losses from the disposal of assets	6	501	869
48,240	Total expenses from continuing operations		45,997	46,704
1,952	Operating result from continuing operations		3,249	5,319
1,952	Net operating result for the year		3,249	5,319
29,661	Net operating result attributable to council		3,249	5,319
28,136	Net operating result for the year before grants and contributions provided for capital purposes		1,447	2,916

(1) Rental income was included at User charges and fees and Other Income in 2019 Statements. See notes 3(b) and 3(c) for details

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		3,249	5,319
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	13,520	(4,625)
Other comprehensive income – joint ventures and associates	19a	(1)	(1)
Total items which will not be reclassified subsequently to the operating result		13,519	(4,626)
Total other comprehensive income for the year		13,519	(4,626)
Total comprehensive income for the year		16,768	693
 Total comprehensive income attributable to Council		 16,768	 693

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	12,626	11,861
Investments	7(b)	1,000	3,000
Receivables	8	2,627	3,130
Inventories	9a	225	73
Contract assets	13a	39	—
Other	9b	—	38
Total current assets		16,517	18,102
Non-current assets			
Receivables	8	258	172
Infrastructure, property, plant and equipment	10	492,631	477,734
Investment property	11	50,520	48,845
Intangible Assets	12	219	235
Right of use assets	14a	1,065	—
Investments accounted for using the equity method	19	1,206	1,099
Total non-current assets		545,899	528,085
Total assets		562,416	546,187
LIABILITIES			
Current liabilities			
Payables	15	11,531	10,819
Income received in advance	15	—	653
Contract liabilities	13b	779	—
Lease liabilities	14b	95	—
Borrowings	15	1,518	1,598
Provisions	16	4,595	4,906
Total current liabilities		18,518	17,976
Non-current liabilities			
Lease liabilities	14b	983	—
Borrowings	15	5,131	6,756
Provisions	16	273	308
Total non-current liabilities		6,387	7,064
Total liabilities		24,905	25,040
Net assets		537,511	521,147
EQUITY			
Accumulated surplus	17	273,467	270,623
Revaluation reserves	17	264,044	250,524
Council equity interest		537,511	521,147
Total equity		537,511	521,147

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		270,653	250,524	521,177	265,303	255,151	520,454
Changes due to AASB 1058 and AASB 15 adoption	17	(434)	–	(434)	–	–	–
Net operating result for the year		3,249	–	3,249	5,319	–	5,319
Restated net operating result for the period		3,249	–	3,249	5,319	–	5,319
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	13,520	13,520	–	(4,627)	(4,627)
– Joint ventures and associates	19a	(1)	–	(1)	1	–	1
Other comprehensive income		(1)	13,520	13,519	1	(4,627)	(4,626)
Total comprehensive income		3,248	13,520	16,768	5,320	(4,627)	693
Equity – balance at end of the reporting period		273,467	264,044	537,511	270,623	250,524	521,147

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
27,413	Rates and annual charges		27,485	26,665
12,374	User charges and fees		9,658	12,751
514	Investment and interest revenue received		288	477
4,517	Grants and contributions		4,566	6,152
–	Bonds, deposits and retention amounts received		2,187	2,868
5,338	Other		8,342	8,302
Payments:				
(19,580)	Employee benefits and on-costs		(18,476)	(19,279)
(15,501)	Materials and contracts		(15,407)	(15,784)
(375)	Borrowing costs		(377)	(349)
–	Bonds, deposits and retention amounts refunded		(2,187)	(2,147)
(6,607)	Other		(7,897)	(7,652)
8,093	Net cash provided (or used in) operating activities	18b	8,182	12,004
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		31,000	23,000
–	Sale of infrastructure, property, plant and equipment		–	169
Payments:				
–	Purchase of investment securities		(29,000)	(22,000)
–	Purchase of investment property		(97)	(66)
(10,579)	Purchase of infrastructure, property, plant and equipment		(7,542)	(14,256)
(10,579)	Net cash provided (or used in) investing activities		(5,639)	(13,153)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	2,400
Payments:				
(1,590)	Repayment of borrowings and advances		(1,705)	(1,383)
–	Lease liabilities (principal repayments)		(73)	–
(1,590)	Net cash flow provided (used in) financing activities		(1,778)	1,017
(4,076)	Net increase/(decrease) in cash and cash equivalents		765	(132)
11,312	Plus: cash and cash equivalents – beginning of year	18a	11,861	11,993
7,236	Cash and cash equivalents – end of the year	18a	12,626	11,861
4,000	plus: Investments on hand – end of year	7(b)	1,000	3,000
11,236	Total cash, cash equivalents and investments		13,626	14,861

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 06 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated Fund has been included in Council's financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(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.

Volunteer services

Council enjoys the assistance of volunteers in the services Community Care and Art Gallery. Council does not recognise these services in the Financial Statement as they would not be purchased if not donated.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 18.

Impact of Novel Coronavirus (COVID-19)

Background

The virus, and measures to slow its spread, have had significant impacts on Council's operational, economic and commercial environments. Council must consider the impacts in the 19/20 Financial Year in preparing these Statements.

Covid-19 effects on Council's financial performance for the 19/20 financial year

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

1. Reduced income attributable to Covid-19 included the following revenue sources:

Rental income was significantly reduced by \$700k due to Covid relief provided to tenants and vacancies occurring after the commencement of the emergency,

Parking fines were reduced by approximately \$600k due to the effects of Covid-19 emergency,

Parking fees were reduced by approximately \$566k due to decreased usage during Covid-19 lock-down.

2. Covid-19 expenditure measures:

Council staff undertook savings measures to offset the impact of reduced income. Savings were achieved in Employee Costs, Contractors and Other Expenditures. Further details of material budget variations are found at Note 23

Covid-19 effects on Council's financial position as at 30 June, 2020

1. Fair valuation impacts

Revaluations were performed on Building and Investment property asset classes. The valuer noted that there was insufficient information to gauge the effect of Covid 19 on the valuations, at this time. Updated valuations will be obtained, as information comes to hand, for 30 June 2021. Staff's assessment of other asset class valuations also note that their values will need to be monitored closely as information comes to hand.

Council's investments are mostly interest bearing deposits with Authorised Deposit-Taking Institutions. No impact is expected on their valuations.

2. Expected credit losses

As noted above Council has worked closely with its tenants on Covid rent-relief. Credit losses are therefore expected to be minimal.

3. Contingent liabilities

Council reports a contingent liability in relation to its defined benefit superannuation obligations. If the effect of Covid-19 reduces the value of the investments held within the defined benefit plan Council may be obliged to make up shortfalls with increased contributions.

4. Cash Flow effects

Cash provided for operational activities did not vary materially from budget, due to savings measures detailed above

Going Concern

Despite the impacts to date of the Coronavirus (Covid-19) and also the future unknowns of Covid-19 in terms of its evolution, effects and duration Council has determined that Covid-19 does not create a material uncertainty to the extent that it casts significant doubt upon Council's ability to continue as a going concern.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
A Caring and Inclusive Community	1,571	2,030	2,965	3,071	(1,394)	(1,041)	853	1,028	12,738	14,782
A Culturally Rich and Vibrant Community	704	1,039	4,130	4,352	(3,426)	(3,313)	195	171	24,037	19,627
An Attractive and Sustainable Environment	6,892	7,320	7,821	8,458	(929)	(1,138)	110	72	54,300	96,100
An Informed and Engaged Community	–	262	850	946	(850)	(684)	29	–	5	7
A Business Friendly Community with Sound, Independent Civic Leadership	22,719	23,493	11,467	11,828	11,252	11,665	723	735	17,099	24,985
Well Designed, Liveable and Accessible Places	17,207	17,466	12,894	11,416	4,313	6,050	937	976	385,594	331,564
A Healthy Village Lifestyle	153	413	5,870	6,633	(5,717)	(6,220)	–	–	68,643	59,122
Total functions and activities	49,246	52,023	45,997	46,704	3,249	5,319	2,847	2,982	562,416	546,187

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

A Caring and Inclusive Community

- Assist residents to feel connected to their community and each other
- Ensure support is available for people in need
- Promote opportunities to acknowledge and embrace diversity

A Culturally Rich and Vibrant Community

- Celebrate Mosman's unique identity and heritage
- Nurture cultural and creative endeavours
- Provide further opportunities to laugh, learn and play

An Attractive and Sustainable Environment

- Protect and enhance Mosman's natural areas and local biodiversity
- Use and encourage sustainable practices
- Effectively manage parklands for community use

An Informed and Engaged Community

- Actively involve the community in planning and delivering Mosman's future
- Deliver community information that is accurate and readily available
- Ensure the community knows how and why decisions are made

A Business-Friendly Community with Sound, Independent Civic Leadership

- Council delivers high quality, convenient service to customers
- Utilise local and regional partnerships to benefit Mosman
- Provide support for business precincts and the local economy

Well Designed, Livable and Accessible Places

- Enhance daily life by providing high quality public infrastructure and public spaces
- Value and strengthen the special aesthetic qualities of Mosman
- Improve access for everyone to, from and within Mosman

A Healthy and Active Village Lifestyle

- Protect and enhance Mosman's village atmosphere
- Support active, healthy lifestyle
- Facilitate safe environments for everyday living

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	18,641	18,135
Business	1058 (1)	1,896	1,846
Less: pensioner rebates (mandatory)	1058 (1)	(111)	(110)
Rates levied to ratepayers		20,426	19,871
Pensioner rate subsidies received	1058 (1)	51	63
Total ordinary rates		20,477	19,934
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	6,734	6,729
Stormwater management services	1058 (1)	239	239
Section 611 charges	1058 (1)	28	29
Less: pensioner rebates (mandatory)	1058 (1)	(40)	(41)
Less: pensioner rebates (Council policy)	1058 (1)	(7)	(7)
Annual charges levied		6,954	6,949
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	29	28
Total annual charges		6,983	6,977
TOTAL RATES AND ANNUAL CHARGES		27,460	26,911

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	116	99
Total specific user charges		116	99
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	1058 (1)	784	879
Regulatory fees	1058 (1)	170	166
Section 10.7 certificates (EP&A Act)	1058 (1)	95	95
Section 603 certificates	1058 (1)	57	36
Total fees and charges – statutory/regulatory		1,106	1,176
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Restoration charges	15 (2)	1,354	920
Art Gallery and Community Centre fees	1058 (1)	215	273
Children's Services fees	15 (1)	490	788
Community Care fees	15 (1)	189	207
Development related road and footpath fees	1058 (2)	441	448
Footpath occupation	1058 (2)	72	280
Lease rentals (property)	15 (2)	–	2,161
Merchant fee recovery	15 (1)	80	73
Oval and sporting facilities user fees	15 (2)	396	483
Parking fees – foreshore	1058 (1)	1,361	1,534
Parking fees – on street	1058 (1)	2,175	2,405
Parking permits – foreshore and resident schemes	1058 (2)	438	335
Reserve and Parks user fees	15 (2)	108	120
Other	15 (1)	95	114
Total fees and charges – other		7,414	10,141
TOTAL USER CHARGES AND FEES		8,636	11,416

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property ¹	15 (2)	–	1,944
Fines	1058 (1)	2,283	3,251
Legal fees recovery – other	1058 (1)	–	262
Other	1058 (1)	169	161
Workers compensation insurance incentives	15 (1)	102	180
<u>TOTAL OTHER REVENUE</u>		<u>2,554</u>	<u>5,798</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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.

(1) Rental Income has been reclassified as "Operating Lease Income" at Note 14 on adoption of AASB 16 Leases

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	337	323	–	–
Financial assistance – local roads component	1058 (1)	118	126	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	357	345	–	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Financial assistance – local roads component	1058 (1)	125	121	–	–
Total general purpose		937	915	–	–
Specific purpose					
Aged care	1058 (1)	576	563	–	–
Child care	1058 (1)	277	445	–	–
Environmental programs	1058 (2)	82	72	28	8
Library	1058 (1)	76	56	7	–
Library – special projects	1058 (2)	19	22	–	–
LIRS subsidy	1058 (1)	29	47	–	–
Recreation and culture	1058 (2)	110	113	236	113
Transport (roads to recovery)	1058 (2)	200	–	–	–
Transport (other roads and bridges funding)	1058 (1)	170	189	100	439
Total specific purpose		1,539	1,507	371	560
Total grants		2,476	2,422	371	560
Grant revenue is attributable to:					
– Commonwealth funding		826	642	–	–
– State funding		1,633	1,780	135	560
– Other funding		17	–	236	–
		2,476	2,422	371	560

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	495	485	–	–
S 7.12 – fixed development consent levies		1058 (1)	–	–	1,285	1,491
Total developer contributions – cash			495	485	1,285	1,491
Total developer contributions	27		495	485	1,285	1,491
Other contributions:						
Cash contributions						
Community services		15 (2)	58	21	–	–
Recreation and culture		1058 (2)	–	6	61	12
RMS contributions (regional roads, block grant)		1058 (1)	147	176	–	–
Total other contributions – cash			205	203	61	12

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Non-cash contributions						
Recreation and culture		1058 (1)	—	—	85	340
Total other contributions – non-cash			—	—	85	340
Total other contributions			205	203	146	352
Total contributions			700	688	1,431	1,843
TOTAL GRANTS AND CONTRIBUTIONS			3,176	3,110	1,802	2,403

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

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

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

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

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

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

Grant income

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

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

Capital grants

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

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

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

Operating grants

Unexpended at the close of the previous reporting period	37	–
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	37
Add: operating grants received for the provision of goods and services in a future period	173	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(37)	–
Unexpended and held as externally restricted assets (operating grants)	173	37

Unspent Aged and Disability contribution and Art Exhibition funding.

Capital grants

Unexpended at the close of the previous reporting period	398	1,704
Add: capital grants received for the provision of goods and services in a future period	–	358
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(282)	(1,664)
Unexpended and held as externally restricted assets (capital grants)	116	398

Unspent capital grants.

Contributions

Unexpended at the close of the previous reporting period	2,549	3,654
Add: contributions recognised as income in the current period but not yet spent	1,325	1,552
Less: contributions recognised in a previous reporting period now spent	(2,217)	(2,657)
Unexpended and held as externally restricted assets (contributions)	1,657	2,549

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	57	46
– Cash and investments	230	378
Total Interest and investment income	287	424

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	13,824	14,379
Employee termination costs (where material – other than vested leave paid)	299	207
Employee leave entitlements (ELE)	2,107	2,068
Superannuation – defined contribution plans	1,367	1,383
Superannuation – defined benefit plans	291	283
Workers' compensation insurance	268	214
Fringe benefit tax (FBT)	63	109
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>18,219</u>	<u>18,643</u>
Number of 'full-time equivalent' employees (FTE) at year end	160	169
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	167	175

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	31	–
Interest on loans	370	338
Total interest bearing liability costs	401	338
Total interest bearing liability costs expensed	401	338
Fair value adjustments on recognition of advances and deferred debtors		
TOTAL BORROWING COSTS EXPENSED	401	338

Accounting policy for borrowing costs

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

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	84	162
– Aged services	135	150
– Art Gallery and Community Centre	220	280
– Bushcare	381	375
– Childrens Services	104	139
– Cleansing	119	116
– Companion Animal Control	25	28
– Communications and Events	186	124
– Consultancies	10	–
– Development assessment and urban planning	126	127
– Finance Contractors	31	35
– Infrastructure	2,088	2,563
– Internal audit	89	82
– Library	172	290
– Parks, gardens and civic spaces	1,900	1,945
– Plant running	68	72
– Recreational facilities	802	753
– Recruitment expenses	7	–
– Structures	1,831	1,334
– Swim Centre Management	177	172
– Temp Staff and Agency Casuals	292	306
– Waste management	3,538	2,965
– Youth Services	10	28
– Other contractor and consultancy costs	198	96
Auditors remuneration ²	60	52
Infringement notice contract costs (SEINS)	264	394
Legal expenses:		
– Legal expenses: planning and development	309	224
– Legal expenses: Save Mosman campaign	–	30
– Legal expenses: other	190	219
Expenses from short-term leases (2020 only)	–	–
Expenses from leases of low value assets (2020 only)	200	–
Variable lease expense relating to usage (2020 only)	58	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	142
Printing	56	114
Other	7	–
TOTAL MATERIALS AND CONTRACTS	13,737	13,317

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Computers	–	142
	–	142

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

	60	52
Remuneration for audit and other assurance services	60	52

Total Auditor-General remuneration**Non NSW Auditor-General audit firms****Total Auditor remuneration**

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

Plant and equipment		188	192
Office equipment		77	40
Furniture and fittings		11	14
Land improvements (depreciable)		10	9

Infrastructure:

10

– Buildings – non-specialised		762	729
– Buildings – specialised		412	502
– Roads		2,366	2,355
– Footpaths		248	248
– Stormwater drainage		492	491
– Other open space/recreational assets		833	820

Right of use assets

14

Other assets:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
– Library books		231	236
– Other		4	4
Intangible assets	12	16	16
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>5,736</u>	<u>5,656</u>

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

Depreciation and amortisation

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

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

Impairment of non-financial assets

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	2020	2019
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(e) Other expenses

Advertising	156	222
Training costs (other than salaries and wages)	98	131
Travel expenses	375	431
Bad and doubtful debts	109	–
Bad and doubtful debts parking fines	213	323
Bank charges	135	146
Catering	78	112
Computer software charges	1,181	1,301
Contributions/levies to other levels of government		
– Department of planning levy	215	222
– Local Government NSW	38	40
– NSW fire brigade levy	891	853
– Waste levy	1,072	963
Councillor expenses – mayoral fee	45	44
Councillor expenses – councillors' fees	142	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	11	14
Donations, contributions and assistance to other organisations (Section 356)	234	200

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
Electricity and heating	336	403
Equipment maintenance	37	35
Insurance	611	613
Leases – photocopiers	–	122
Leases – property	58	53
Postage	70	87
Street lighting	148	173
Subscriptions and publications	121	132
Telephone and communications	82	83
Waste disposal and recycling centre	625	651
Water	162	193
Other	160	195
TOTAL OTHER EXPENSES	7,403	7,881

Accounting policy for other expenses

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

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	150
Less: carrying amount of property assets sold/written off		–	(116)
Net gain/(loss) on disposal		–	34
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		–	19
Less: carrying amount of plant and equipment assets sold/written off		(1)	(5)
Net gain/(loss) on disposal		(1)	14
Infrastructure			
	10		
Less: carrying amount of infrastructure assets sold/written off		(500)	(917)
Net gain/(loss) on disposal		(500)	(917)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		31,000	23,000
Less: carrying amount of investments sold/redeemed/matured		(31,000)	(23,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(501)	(869)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	1,626	861
Cash-equivalent assets		
– Deposits at call	2,000	1,000
– Short-term deposits	9,000	10,000
Total cash and cash equivalents	12,626	11,861

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	1,000	–	3,000	–
Total Investments	1,000	–	3,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	13,626	–	14,861	–
Financial assets at amortised cost				
Long term deposits	1,000	–	3,000	–
Total	1,000	–	3,000	–

Accounting policy for investments

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit or 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 2020

Note 7(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, term deposits and cash and cash equivalents in the Statement of Financial Position.

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost 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.

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	13,626	—	14,861	—
attributable to:				
External restrictions	4,296	—	5,260	—
Internal restrictions	6,290	—	8,344	—
Unrestricted	3,040	—	1,257	—
	13,626	—	14,861	—

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

External restrictions – included in liabilities**External restrictions – other**

Developer contributions – general	2,106	2,663
Specific purpose unexpended grants (recognised as revenue) – general fund	289	435
Domestic waste management	1,901	2,162
External restrictions – other	4,296	5,260
Total external restrictions	4,296	5,260

Internal restrictions

Deposits, retentions and bonds	3,430	3,430
Unspent Loan	—	2,400
Employees leave entitlement	974	1,049
Swim centre	746	870
Capital works reserve	980	500
Plant and vehicle replacement	160	95

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

Total internal restrictions	6,290	8,344
TOTAL RESTRICTIONS	10,586	13,604

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	787	245	698	163
Interest and extra charges	76	–	60	–
User charges and fees	853	–	1,428	–
Accrued revenues				
– Interest on investments	3	–	20	–
– Other income accruals	441	–	552	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	560	–	355	–
Loans to non-profit organisations	–	13	–	9
Net GST receivable	373	–	291	–
Total	3,093	258	3,404	172
Less: provision of impairment				
User charges and fees	(202)	–	(93)	–
Other debtors	(264)	–	(181)	–
Total provision for impairment – receivables	(466)	–	(274)	–
TOTAL NET RECEIVABLES	2,627	258	3,130	172
Unrestricted receivables	2,393	258	2,917	172

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	274	394
Balance at the end of the year	274	394

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

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

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

The Council uses the 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.

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	181	—	29	—
Trading stock	44	—	44	—
Total inventories at cost	225	—	73	—
<u>TOTAL INVENTORIES</u>	<u>225</u>	<u>—</u>	<u>73</u>	<u>—</u>

(b) Other assets

Prepayments	—	—	38	—
<u>TOTAL OTHER ASSETS</u>	<u>—</u>	<u>—</u>	<u>38</u>	<u>—</u>

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total unrestricted assets	225	—	111	—
TOTAL INVENTORIES AND OTHER ASSETS	225	—	111	—

(i) Other disclosures

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

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

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

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,003	–	1,003	610	5	–	–	(310)	–	1,308	–	1,308
Plant and equipment	1,483	(715)	768	107	–	(1)	(188)	–	–	1,480	(794)	686
Office equipment	632	(357)	275	50	185	–	(77)	–	–	715	(282)	433
Furniture and fittings	228	(179)	49	95	–	–	(11)	–	–	312	(179)	133
Art collection	5,812	–	5,812	–	147	–	–	–	–	5,959	–	5,959
Land:												
– Operational land	152,040	–	152,040	–	–	–	–	–	–	152,040	–	152,040
– Community land	28,393	–	28,393	–	–	–	–	–	2,889	31,282	–	31,282
– Crown land	34,097	–	34,097	–	–	–	–	–	5,559	39,656	–	39,656
Land improvements – depreciable	926	(134)	792	128	–	–	(10)	–	–	1,053	(143)	910
Infrastructure:												
– Buildings – non-specialised	53,894	(18,648)	35,246	226	–	(40)	(762)	–	3,647	52,123	(13,806)	38,317
– Buildings – specialised	24,781	(9,291)	15,490	410	432	(168)	(412)	60	1,425	23,908	(6,671)	17,237
– Roads	194,359	(86,389)	107,970	2,006	21	(163)	(2,366)	87	–	194,378	(86,823)	107,555
– Footpaths	20,577	(5,678)	14,899	592	–	(48)	(248)	–	–	20,577	(5,382)	15,195
– Stormwater drainage	69,021	(19,659)	49,362	279	–	(7)	(492)	–	–	69,021	(19,879)	49,142
– Other open space/recreational assets	46,145	(15,437)	30,708	1,788	244	(74)	(833)	163	–	46,390	(14,394)	31,996
Other assets:												
– Heritage collections	13	–	13	–	–	–	–	–	–	13	–	13
– Library books	1,652	(870)	782	187	–	–	(231)	–	–	1,591	(853)	738
– Other	62	(27)	35	–	–	–	(4)	–	–	62	(31)	31
Total Infrastructure, property, plant and equipment	635,118	(157,384)	477,734	6,478	1,034	(501)	(5,634)	–	13,520	641,868	(149,237)	492,631

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period						as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,270	–	2,270	508	145	(33)	–	(1,887)	–	1,003	–	1,003
Plant and equipment	1,385	(635)	750	191	24	(5)	(192)	–	–	1,483	(715)	768
Office equipment	89	–	89	117	109	–	(40)	–	–	632	(357)	275
Furniture and fittings	337	(255)	82	2	–	(21)	(14)	–	–	228	(179)	49
Art collection	5,420	–	5,420	–	392	–	–	–	–	5,812	–	5,812
Land:												
– Operational land	152,156	–	152,156	–	–	(116)	–	–	–	152,040	–	152,040
– Community land	26,721	–	26,721	–	–	–	–	–	–	28,393	–	28,393
Land improvements – depreciable	820	(124)	696	105	–	–	(9)	–	–	926	(134)	792
– Crown land	35,769	–	35,769	–	–	–	–	–	–	34,097	–	34,097
Infrastructure:												
– Buildings – non-specialised	53,500	(22,369)	31,131	4,537	394	(513)	(729)	426	–	53,894	(18,648)	35,246
– Buildings – specialised	24,781	(8,844)	15,937	62	–	(7)	(502)	–	–	24,781	(9,291)	15,490
– Roads	190,984	(85,374)	105,610	1,443	2,577	(103)	(2,355)	798	–	194,359	(86,389)	107,970
– Footpaths	20,577	(5,927)	14,650	524	–	(27)	(248)	–	–	20,577	(5,678)	14,899
– Stormwater drainage	66,136	(15,763)	50,373	292	–	(8)	(491)	314	(1,118)	69,021	(19,659)	49,362
– Other open space/recreational assets	50,822	(18,122)	32,700	2,042	29	(85)	(820)	349	(3,507)	46,145	(15,437)	30,708
Other assets:												
– Heritage collections	13	–	13	–	–	–	–	–	–	13	–	13
– Library books	1,913	(1,125)	788	230	–	–	(236)	–	–	1,652	(870)	782
– Other	49	(10)	39	–	–	–	(4)	–	–	62	(27)	35
Total Infrastructure, property, plant and equipment	633,742	(158,548)	475,194	10,053	3,670	(918)	(5,640)	–	(4,625)	635,118	(157,384)	477,734

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

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

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 2020

Note 10. 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. Where Crown Reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 14

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.

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	50,520	48,845
Total owned investment property	50,520	48,845

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	48,845	46,950
– Capitalised expenditure – this year	97	66
– Net gain/(loss) from fair value adjustments	1,578	1,829
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	50,520	48,845

(b) Valuation basis (2019 only)

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

The 2019 revaluations were based on independent assessments made by:

Scott Fullarton Valuations Pty Ltd Valuer Scott Fullarton - Certified Practising Valuer - API Membership No. 67557

(c) Contractual obligations at reporting date (2019 only)

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

\$ '000	2020	2019
(d) Leasing arrangements – Council as lessor (2019 only)		
The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	1,646	1,740
Later than 1 year but less than 5 years	2,938	1,618
Later than 5 years	8,795	251
Total minimum lease payments receivable	13,379	3,609

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties (continued)

Council links leases to market reviews and the Sydney All Groups CPI. Leases of retail premises have historically been granted on a three plus three year basis while the restaurant premises are a longer term of between 10 and 21 years, although there are exceptions due to extenuating circumstances

The short term leases provide for rent reviews by CPI annually and to market in the first year of the term of the lease or term pursuant to exercise of an option (that is every three years). The longer term leases for the restaurants provide for market and CPI reviews every year on an alternate basis

\$ '000	2020	2019
(e) Investment property income and expenditure – summary (2019 only)		
Rental income from investment property:		
– Minimum lease payments	1,447	1,944
Direct operating expenses on investment property:		
– that generated rental income	(82)	(69)
Net revenue contribution from investment property	1,365	1,875
plus:		
Fair value movement for year	1,578	1,829
Total income attributable to investment property	2,943	3,704

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.

Note 12. Intangible assets

Intangible assets are as follows:

Other

\$ '000	2020	2019
Kimbriki Intangible Asset		
Opening values at 1 July		
Gross book value	392	392
Accumulated amortisation	(173)	(157)
Net book value – opening balance	219	235
Movements for the year		
Closing values at 30 June		
Gross book value	219	235
Total Kimbriki Intangible Asset – net book value	219	235

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets (continued)

	2020	2019
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	219	235

Kimbriki Intangible Asset

Council's interest in access to the Kimbriki waste and recycling centre is recognised as an intangible asset and will be amortised over time.

Note 13. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Other	39	–
Total Contract assets	39	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:	(i)		
Unexpended operating grants (received prior to performance obligation being satisfied)		134	–
Total grants received in advance		307	–
User fees and charges received in advance:			
Lease Income Received in Advance		219	–
Facilities and Reserve Booking Received in Advance		51	–
Other		202	–
Total user fees and charges received in advance		472	–
Total contract liabilities		779	–

Notes

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

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	58	–
Contract liabilities relating to externally restricted assets	58	–
Total contract liabilities relating to restricted assets	58	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

\$ '000	2020 Current	2020 Non-current
Total contract liabilities relating to unrestricted assets	721	—
Total contract liabilities	779	—
\$ '000		2020

(ii) Revenue recognised (during the financial year) from opening contract liability balances

Grants and contributions received in advance:

Capital grants (to construct Council controlled assets)	282
Operating grants (received prior to performance obligation being satisfied)	37

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

319

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Note 14. Leases

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

(i) Council as a lessee

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

Garbage Trucks

A lease of four dedicated garbage collection vehicles is embedded in the Waste and Recycling Services Contract 2019-2029. The contractor, URM Environmental Services PL, is obliged to provide modern and servicable vehicles for the 10 year duration of the contract

Office and IT equipment

Leases for office and IT equipment are for low value assets. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	Plant & Equipment	Ready to use	Domestic Waste Contract - Garbage Trucks	Total
(a) Right of use assets				
Opening balance at 30 June 2019	–	–	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–	1,151	1,151
Depreciation charge	–	–	(86)	(86)
<u>RIGHT OF USE ASSETS</u>	<u>–</u>	<u>–</u>	<u>1,065</u>	<u>1,065</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	95	983
<u>TOTAL LEASE LIABILITIES</u>	<u>95</u>	<u>983</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	95	557	426	1,078	1,078

\$ '000	2020 Current	2020 Non-current
<u>Total lease liabilities</u>	<u>95</u>	<u>983</u>

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

(c) Income Statement

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

Interest on lease liabilities	31
Depreciation of right of use assets	86
	<u>375</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020
(d) Statement of Cash Flows	
Total cash outflow for leases	117
	117

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

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 16.

(ii) Council as a lessor**(e) Operating leases**

Council leases out a number of properties commercial tenant for retail and food premises, other businesses and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 12) and/or IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

During the year Council granted Covid related rent relief to its retail tenants for: premises \$530k (Investment Properties) and \$66k for footpath occupations. Tenants were not invoiced for rent relieved and no income was recognised for those amounts

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

\$ '000	2020
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	1,498
Other Lease Income	
Other Property Leases	2,147
Total income relating to operating leases	3,645
(ii) Operating lease expenses	
Investment properties	
Direct operating expenses that generated rental income	82
Total expenses relating to operating leases	82
(iv) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	3,790
1–2 years	3,121
2–3 years	2,850
3–4 years	2,771
4–5 years	2,771
> 5 years	2,771
Total undiscounted contractual lease income receivable	18,074

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	196	—	—	—
Goods and services – operating expenditure	1,794	—	1,311	—
Goods and services – capital expenditure	673	—	788	—
Accrued expenses:				
– Borrowings	61	—	37	—
– Salaries and wages	178	—	63	—
– Other expenditure accruals	50	—	41	—
Security bonds, deposits and retentions	8,579	—	8,579	—
Total payables	11,531	—	10,819	—
Income received in advance (2019 only)				
Payments received in advance	—	—	653	—
Total income received in advance	—	—	653	—
Borrowings				
Loans – secured ¹	1,518	5,131	1,598	6,756
Total borrowings	1,518	5,131	1,598	6,756
TOTAL PAYABLES AND BORROWINGS	13,049	5,131	13,070	6,756

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

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

\$ '000	2020	2019
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(a) 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	6,324	6,330
Total payables and borrowings	6,324	6,330

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	8,354	(1,705)	—	—	—	—	6,649
Lease liabilities	—	—	—	—	1,151	(73)	1,078
TOTAL	8,354	(1,705)	—	—	1,151	(73)	7,727

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	7,337	1,017	–	–	–	8,354
TOTAL	7,337	1,017	–	–	–	8,354

\$ '000	2020	2019
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(c) Financing arrangements

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

Bank overdraft facilities ¹	90	90
Credit cards/purchase cards	55	55
Total financing arrangements	145	145

Undrawn facilities as at balance date:

– Bank overdraft facilities	90	90
– Credit cards/purchase cards	51	36
Total undrawn financing arrangements	141	126

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 are secured against rates income

Bank overdrafts

The bank overdraft is secured by a mortgage over rates revenue

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

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,951	–	1,778	–
Long service leave	2,644	273	3,128	308
Sub-total – aggregate employee benefits	4,595	273	4,906	308
<u>TOTAL PROVISIONS</u>	<u>4,595</u>	<u>273</u>	<u>4,906</u>	<u>308</u>

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

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	2,531	3,252
	<u>2,531</u>	<u>3,252</u>

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 borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

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.

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered,

Notes to the Financial Statements

for the year ended 30 June 2020

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

they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

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

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

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

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

Grants – operating

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

Grants – capital

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

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	37
– Under AASB 1058	–
Total Contract assets	37
Contract liabilities	
– Under AASB 15	399
– Under AASB 1058	–
Total Contract liabilities	399

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Carrying amount under previous revenue standards	Notes
Current assets					
Receivables	2,627	39	–	2,666	
Contract assets	39	(39)	–	–	
Current liabilities					
Income received in advance	–	471	–	471	
Contract liabilities	779	(779)	–	–	
Net assets	537,511	308	–	537,819	
Equity					
Accumulated surplus	273,467	308	–	273,775	
Council equity interest	537,511	308	–	537,819	
Total equity	537,511	308	–	537,819	

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Grants and contributions provided for operating purposes	3,176	174	–	3,350	
Grants and contributions provided for capital purposes	1,802	134	–	1,936	
Total Income from continuing operations	49,246	308	–	49,554	
Total Operating result from continuing operations	3,249	308	–	3,557	
Net operating result for the year	3,249	308	–	3,557	

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Total comprehensive income	16,768	—	—	16,768	

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/(decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	—	—	—
Contract liabilities	—	434	434
Total liabilities	24,772	434	25,206
Accumulated surplus	273,606	(434)	273,172
Total equity	(24,772)	(434)	(25,206)

(iii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$1,151 at 1 October 2019 on the inception of Waste and Recycling Services Contract 2019-2029

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 October 2019 was 3.75%.

\$ '000	Balance at 1 July 2019
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Note 18. Statement of cash flow information

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

Total cash and cash equivalents per Statement of Financial Position	7(a)	12,626	11,861
Balance as per the Statement of Cash Flows		12,626	11,861

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

Net operating result from Income Statement	3,249	5,319
Adjust for non-cash items:		
Depreciation and amortisation	5,736	5,656
Net losses/(gains) on disposal of assets	501	869
Non-cash capital grants and contributions	(85)	(340)
Adoption of AASB 15/1058	(434)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(1,578)	(1,829)
Share of net (profits)/losses of associates/joint ventures using the equity method	(108)	(132)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	225	1,546
Increase/(decrease) in provision for impairment of receivables	192	(120)
Decrease/(increase) in inventories	(152)	61
Decrease/(increase) in other current assets	38	21
Decrease/(increase) in contract assets	(39)	–
Increase/(decrease) in payables	483	236
Increase/(decrease) in accrued interest payable	24	(11)
Increase/(decrease) in other accrued expenses payable	124	(1)
Increase/(decrease) in other liabilities	(457)	762
Increase/(decrease) in contract liabilities	779	–
Increase/(decrease) in provision for employee benefits	(346)	(33)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	8,152	12,004

(c) Non-cash investing and financing activities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information (continued)

\$ '000	2020	2019
Other dedications artworks	85	340
Total non-cash investing and financing activities	85	340

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	10	—	20	10
Associates	98	132	1,186	1,089
Total	108	132	1,206	1,099

(a) 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	2020	2019
Shorelink Library Network	Joint Venture	Equity	20	10
Total carrying amounts – material joint ventures			20	10

(b) Details

Principal activity		Place of business
Shorelink Library Network	Sharing of Library Infrastructure	North Sydney, NSW

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019	2020	2019
Shorelink Library Network	20	10	25.8%	25.8%	33.3%	33.3%	33.3%	33.3%

(d) Summarised financial information for joint ventures

\$ '000	Shorelink Library Network	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	111	80
Other current assets	—	2
Current liabilities		
Other current liabilities	51	52
Net assets	60	30

Reconciliation of the carrying amount

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

\$ '000	Shorelink Library Network	
	2020	2019
Opening net assets (1 July)	32	42
Profit/(loss) for the period	30	–
Other adjustments to equity	(2)	–
Other (distribution to Willoughby Council, former member)	–	(10)
Closing net assets	60	32
Council's share of net assets (%)	33.3%	33.3%
Council's share of net assets (\$)	20	10
Statement of comprehensive income		
Income	446	372
Interest income	1	–
Depreciation and amortisation	(1)	(2)
Other expenses	(416)	(370)
Profit/(loss) from continuing operations	30	–
Profit/(loss) for the period	30	–
Total comprehensive income	30	–
Share of income – Council (%)	25.8%	25.8%
Profit/(loss) – Council (\$)	8	–
Total comprehensive income – Council (\$)	8	–
Summarised Statement of cash flows		
Cash flows from operating activities	31	(50)
Cash flows from financing activities	–	(10)
Net increase (decrease) in cash and cash equivalents	31	(60)

Accounting policy for joint arrangements

The council has determined that it has only joint ventures

Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

(b) Associates

The following information is provided for associates that are individually material to the Council. Included are the amounts as

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

per the individual associates' 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	2020	2019
Kimbriki Environmental Enterprises P/L	Associate	Equity	1,186	1,088
Total carrying amounts – material associates			1,186	1,088

(b) Details

	Principal activity	Place of business
Kimbriki Environmental Enterprises P/L	Waste Management and Disposal	Terrey Hills, NSW

(c) Relevant interests and fair values

\$ '000	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019	2020	2019
Kimbriki Environmental Enterprises P/L	1,186	1,088	4%	4%	4%	4%	50%	50%

(d) Summarised financial information for associates

\$ '000	Kimbriki Environmental Enterprises P/L	
	2020	2019
Statement of financial position		
Current assets		
Cash and cash equivalents	2,428	2,246
Other current assets	24,438	20,024
Non-current assets	33,593	20,663
Current liabilities		
Other current liabilities	8,166	5,863
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	21,405	8,725
Net assets	30,888	28,345
Reconciliation of the carrying amount		
Opening net assets (1 July)	28,345	24,903
Profit/(loss) for the period	2,543	3,442
Closing net assets	30,888	28,345
Council's share of net assets (%)	4%	4%
Council's share of net assets (\$)	1,186	1,088
Statement of comprehensive income		

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Interests in other entities (continued)

\$ '000	Kimbriki Environmental Enterprises P/L	
	2020	2019
Income	38,552	34,995
Interest income	282	415
Depreciation and amortisation	(2,849)	(1,672)
Other expenses	(33,442)	(30,296)
Profit/(loss) from continuing operations	2,543	3,442
Profit/(loss) for period	2,543	3,442
Total comprehensive income	2,543	3,442
Share of income – Council (%)	4%	4%
Profit/(loss) – Council (\$)	98	132
Total comprehensive income – Council (\$)	98	132

(f) The nature and extent of significant restrictions relating to associates

Council has no day to day access to cash or investments of Kimbriki. Council, as a shareholder, participates in cash dividends as declared by Kimbriki's Board. All interactions with Kimbriki P/L are regulated by the Kimbriki Shareholder Agreement.

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

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

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

Property, plant and equipment

Unspent Specific Purpose Capital Grants

Total commitments

134	398
134	398

These expenditures are payable as follows:

Within the next year

Total payable

134	398
134	398

Details of capital commitments

Council is obliged to perform certain capital works because it is holding unspent grants:

\$134,000 Drill Hall netball courts lighting

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

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

Within the next year

Later than one year and not later than 5 years

Total non-cancellable operating lease commitments

–	191
–	188
–	379

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

Refer to Note 14 for information relating to leases for 2020

Office Equipment with an average lease term of 3 years

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

Conditions relating to finance and operating leases:

– All agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 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 \$40.0 million per annum from 1 July 2019 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to 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.

As stated 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.

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 entity.

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

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

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2020 was \$255,319.31. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA relating to the period ended 30 June 2019.

The expected contributions to the Fund for the next annual reporting period are \$248,959.04

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

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

excluding member accounts and reserves in both assets and liabilities.

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

Investment return	5.75% per annum
Salary inflation	3.50% per annum
Increase in CPI	2.50% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2020.

Council's additional lump sum contribution is around 0.33% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-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.

2. Other liabilities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. 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 of carrying amounts and fair value for Council financial instruments at reporting date is shown in the table below

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	12,626	11,861	12,626	11,861
Receivables	2,885	3,302	2,627	3,289
Investments				
– 'Financial assets at amortised cost' / 'held to maturity'	–	3,000	–	3,000
– 'Financial assets at amortised cost'	1,000	–	1,000	–
Total financial assets	16,511	18,163	16,253	18,150
Financial liabilities				
Payables	11,531	10,819	11,562	10,742
Loans/advances	6,649	8,354	6,649	8,354
Lease liabilities	1,078	–	5,115	–
Total financial liabilities	19,258	19,173	23,326	19,096

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.
- **Lease liabilities** – are based upon estimated future cash flows discounted by the current market interest rates applicable to liabilities with similar risk profiles

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.

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

The risks associated with the instruments held are:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	120	120	(120)	(120)
2019				
Possible impact of a 1% movement in interest rates	140	140	(140)	140

(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.

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	–	1,032	–	–	–	1,032
2019						
Gross carrying amount	–	861	–	–	–	861

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	1,214	1,094	2	2	7	2,319
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2019						
Gross carrying amount	2,076	89	42	108	400	2,715
Expected loss rate (%)	4.91%	9.52%	11.07%	12.72%	14.65%	6.90%
ECL provision	102	8	5	14	59	188

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	8,579	2,981	–	–	11,560	11,335
Loans and advances	4.28%	–	1,624	3,963	1,754	7,341	6,649
Total financial liabilities		8,579	4,605	3,963	1,754	18,901	17,984

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. 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
2019							
Trade/other payables	0.00%	8,579	2,163	—	—	10,742	10,819
Loans and advances	4.37%	—	1,939	5,216	2,422	9,577	8,354
Total financial liabilities		8,579	4,102	5,216	2,422	20,319	19,173

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 04/06/2019 and is not required to be audited

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	27,427	27,460	33	0% F
User charges and fees	12,467	8,636	(3,831)	(31)% U
\$2,184k reclassified to rental income. \$890k Reduced community services fees for closure of Occasional Child Care and lock-down of Community Care. \$534k Reduction of parking meter fees for lock-down				
Other revenues	5,330	2,554	(2,776)	(52)% U
\$1,446k reclassified to Rental Income. \$860k reduction in parking fines due to lock-down. \$25k Library Income for lock-down				
Operating grants and contributions	2,900	3,176	276	10% F
Prepayment of FY21 FAG \$172k. Increased Community Services grants \$100k. \$50k increase for Art Gallery and Cultural grants				
Capital grants and contributions	1,525	1,802	277	18% F
Interest and investment revenue	502	287	(215)	(43)% U
Reduced cash balance held and falling interest rates				
Fair value increment on investment property	—	1,578	1,578	∞ F
Investment Property revaluation increment was not budgeted				
Rental income	—	3,645	3,645	∞ F
\$2,184k actual reclassified from User Fees \$1,446k actual reclassified from Rental Income.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Joint ventures and associates – net profits	41	108	67	163% F
Kimbriki investment increased more than budgeted				

EXPENSES

Employee benefits and on-costs	20,050	18,219	1,831	9% F
\$450k Motor vehicles and travel allowances reclassified to Other Expenditure, Net Savings of \$321k from termination of Childcare Services, \$413k other salary savings for vacancies and lock-down measures, \$350k savings from enforced leave, \$297k superannuation and other on-costs savings				
Borrowing costs	369	401	(32)	(9)% U
\$173k interest on embedded lease of garbage trucks transferred from Domestic Waste Services contractor				
Materials and contracts	15,551	13,737	1,814	12% F
\$1,700k for S88 levy and Waste Disposal centre (Kimbriki) reclassified to Other Expenditure. Savings for lock-down \$500k across Council				
Depreciation and amortisation	5,463	5,736	(273)	(5)% U
Other expenses	6,607	7,403	(796)	(12)% U
\$1,700k waste reclassified from Materials and Contracts, \$345k actual motor vehicles and travel allowances reclassified from Employee Costs. Insurance premium savings \$230k. Emergency Services Levy \$99k. Lock-down savings including Utilities \$250k, Community Services \$93k, Communications \$71k, Compliance (fines bad debts) \$70k and Cultural Services \$65k				
Net losses from disposal of assets	200	501	(301)	(151)% U
Calculated disposals greater than budget				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	8,093	8,182	89	1% F
Cash flows from investing activities	(10,579)	(5,639)	4,940	(47)% F
Change in balance of Term Deposits classified as Investments \$2,000k. \$31,000k investments matured in year; \$29,000k invested. Delayed projects including Allan Border Oval \$1,900k.				
Cash flows from financing activities	(1,590)	(1,778)	(188)	12% U
Embedded lease of Garbage trucks \$253k				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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

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

	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	
2020					
Investment property					
Retail, commercial office and residential	30/06/20	–	50,520	–	50,520
Total investment property		–	50,520	–	50,520
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	–	–	686	686
Office equipment	30/06/20	–	–	433	433
Furniture and fittings	30/06/20	–	–	133	133
Art collection	30/06/20	–	–	5,959	5,959
Operational land	30/06/18	–	–	152,040	152,040
Community land	30/06/20	–	–	70,938	70,938
Land improvements – depreciable	30/06/20	–	–	910	910
Buildings non-specialised	30/06/20	–	–	38,317	38,317
Buildings specialised	30/06/20	–	–	17,237	17,237
Roads	30/06/20	–	–	107,555	107,555
Footpaths	30/06/20	–	–	15,195	15,195
Stormwater drainage	30/06/19	–	–	49,142	49,142
Other open space/recreational assets	30/06/19	–	–	31,996	31,996
Heritage collections	30/06/20	–	–	13	13
Library books	30/06/20	–	–	738	738
Other assets	30/06/20	–	–	31	31
Total infrastructure, property, plant and equipment		–	–	491,323	491,323

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Investment property					
Retail, commercial office and residential	30/06/19	–	48,845	–	48,845
Total investment property		–	48,845	–	48,845
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/19	–	–	768	768
Office equipment	30/06/19	–	–	275	275
Furniture and fittings	30/06/19	–	–	49	49
Art collection	30/06/17	–	–	5,812	5,812
Operational land	30/06/18	–	–	152,040	152,040
Community land	30/06/17	–	–	62,490	62,490
Land improvements – depreciable	30/06/19	–	–	792	792
Buildings non-specialised	30/06/18	–	–	35,246	35,246
Buildings specialised	30/06/18	–	–	15,490	15,490
Roads	30/06/18	–	–	107,970	107,970
Footpaths	30/06/18	–	–	14,899	14,899
Stormwater drainage	30/06/19	–	–	49,362	49,362
Other open space/recreational assets	30/06/19	–	–	30,708	30,708
Heritage collections	30/06/19	–	–	13	13
Library books	30/06/19	–	–	782	782
Other assets	30/06/19	–	–	35	35
Total infrastructure, property, plant and equipment		–	–	476,731	476,731

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

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

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

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

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

For all infrastructure assets Council uses a straight line pattern of consumption and brownfield approach.

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Investment property

Council obtains independent valuations of its investment property on an annual basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. The key observable inputs to the valuation are:

- Current rental incomes,
- Rent reviews,
- Capitalisation rates,
- Price per square meter,
- Direct comparison to sales evidence,
- Zoning,

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

- Location,
- Land area and configuration, and
- Planning controls.

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis. Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2020 the valuation of the investment property was performed by APV Valuations and Asset Management Pty Ltd, Valuer Mr Daniel Atherton.

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

Plant and Equipment, Office Equipment and Furniture and Fittings.

Plant and Equipment, Office Equipment and Furniture and 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: Motor vehicles, depot tools and machinery, parking meters and domestic waste service bins.
- Office Equipment: Computer Hardware.
- Furniture and Fittings: Chairs, desks and display systems.

The key unobservable input to the valuation is the remaining useful life. 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 and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

Art Collection

This class comprises Council's collection of art works. The collection was valued in June 2016 by Stella Downer Fine Art. Stella Downer is a member of the Australian Commercial Galleries association and is approved by the Department of Prime Minister and Cabinet's Cultural Gifts Program to value art works.

While it is possible to observe the broad market for works (such as auction house results or retrospective exhibitions) the valuations depend significantly on unobservable inputs such as the aesthetic value and quality of the individual works and its significance in the individual artist's oeuvre.

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 to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Generally, fair value is the most advantageous price reasonably obtainable 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 the 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 are based on either the land value provided by the Valuer-General or an average unit rate based on the land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

During the reporting year Valuer-General has issued new values with a base-date of 1 July 2019 to all Councils in New South Wales. Community land has therefore been revalued this class for year ending 30 June 2020.

Land Improvements – Depreciable

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

This asset class largely comprises trees, plantings and landscaping not captured in the Open Space and Recreational Assets class. These assets may be located on parks, reserves and also within road reserves.

These assets 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 estimated remaining useful life.

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

Buildings: Non-Specialised and Specialised

Buildings were valued by professionally qualified Registered Valuers from APV Valuations and Asset Management Pty Ltd, Valuer Mr Daniel Atherton. Specialised buildings have been valued using Level 3 inputs (such as estimates of useful life and asset condition) requiring extensive professional judgement. These judgements impact significantly on the final determination of fair value. The approach for specialised buildings estimated the replacement cost of each building and then componentised into significant parts. Building components are then split into two useful lives with proportioned replacement costs defined as the:

- Short Life – Where the end of life is when the asset requires renewal without full replacement of asset. The replacement cost of the short life is the amount required to conduct the renewal.
- Long Life – Where the end of life is when the asset is obsolete and requires complete replacement. This replacement cost is valued as the additional funds required for complete replacement after being added to the short life replacement cost amount.

The unit rates for non-specialised buildings were supported by market evidence (Level 2 inputs) and were not componentised or proportioned into a short and long life.

Non-specialised buildings used the market approach and specialised building used the cost approach.

Inputs include:

- Gross replacement cost
- A breakdown of building component costs (such as sub-structure, fit-out, electrical services)
- Short and long life splits with proportioned replacement cost
- Useful lives for short and long life
- Condition ratings

Typical useful lives and unit rates (includes overheads):

Buildings Asset Component	Average Short Life Useful Life (Years)	Average Long Life Useful Life (Years)	Average Unit Rate/2020	Buildings Asset Component	Average Useful Life (Years)	Average Unit Rate/2019
Council Works Depot – Sub-Structure	94	150	\$425,590/each	Council Works Depot – Structure	70	\$801,040/each
Library – Structure	75	125	\$1,316,950/each	Library – Structure	95	\$2,960,000/each
Childcare Centres – Fit-Out	43	100	\$153,000/each	Childcare Centres – Fixtures & Fittings	20	\$68,333/each
Council Offices/Administration Centre – Floor Coverings	22	N/A	\$382,941/each	Council Offices/Administration Centre – Internal Finishes	20	\$568,760/each
Specialised Buildings – Services (Hydraulic)	59	150	\$164,786/each	Specialised Buildings – Services	20	\$151,062/each
Multistorey Car Park – Services (Electrical)	60	150	\$521,050/each	Multistorey Car Park – Services	20	\$1,190,200/each
Cultural Facilities – Fit-Out	50	107	\$402,025/each	Cultural Facilities – Fixtures and Fittings	20	\$261,160/each
Other – Roof	52	100	\$85,216/each	Other – Roof	48	\$123,164/each

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Public Roads, Footpaths and Carparks

Includes: Road pavements and surfaces, steps, footpaths, pram ramps, retaining walls and kerb and gutter, physical traffic devices, lines and signs and street furniture and road related carparks.

Gross replacement cost for road assets were valued by professionally qualified Registered Valuers from AssetVal Pty Ltd in June 2018. Due to the specialised nature of roads assets, valuations were undertaken predominately using the cost approach. Unit rates include all materials, labour and overheads and were estimated from inputs including similar projects costs, direct quotations, unit rate databases and published cost guides. The unit rates have been tailored to suit Mosman. The cost approach is deemed a level 3 input.

The condition and useful lives of the assets were assessed and calculated based on site inspections, observed asset performance and professional engineering judgment.

In this reporting period, condition inspections were carried out on the following road asset types:

- Road Pavements
- Footpaths, Pram Ramps and Steps
- Kerb and Gutter
- Retaining Walls
- Fences/Handrails
- Physical Traffic Devices
- Lines and Signs
- Car Parks

Typical useful lives and unit rates (includes overheads):

Public Road and Footpath Asset Component	Useful Life (Years)	Unit Rate
Concrete Road Pavement (Reinforced 200mm thick)	120	\$242/m ²
Asphalt Road Pavement (50AC)	50	\$52/m ²
Sandstone Kerb & Gutter	90	\$495/m
Concrete Roundabout	40	\$305/m ²
Gabion Retaining Wall	150	\$608/m ²
Double Barrier Line	5	\$2/m
'Warning' Traffic Sign	15	\$396/each
Concrete Footpath (75 mm thick)	90	\$95/m ²
Asphalt Footpath (25 mm thick)	40	\$68/m ²

Carpark Asset Component	Useful Life (Years)	Unit Rate
Lane and Parking Space Line Marking	5	\$2/m
Pay and Display Machine	20	\$12,100/each
Kerb Wheelstops (Timber)	15	\$176/m

Stormwater Drainage

Includes: Converters, headwalls, endwalls, pits and access-holes (collectively categorised as 'nodes'), pipes, culverts, drains, Stormwater Quality Improvement Devices (SQIDs) and rainwater re-use tanks.

Gross replacement cost for stormwater drainage assets were valued by Morrison Low as at 30 April 2019. Fair value has been generated this financial year based on the cost (fair value) approach. Unit rates include the costs of materials, labour and overheads. Inputs used to calculate the unit rate included costs from similar projects, direct quotations, panel contractor rates, published cost guides and reference rates. SQID unit rates were developed based on first principles estimating and takes into account excavation, site establishment as well as the supply and installation costs. It also includes an additional 20% to the

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

base unit rate to allow for 'normal' construction and installation overheads. The 2019 construction index was applied to the existing unit rates to update their replacement value.

Drains unit rates are based on similar projects, published cost guides and the 2019 construction index. Drains of the same dimensions have been given the same unit rate. The condition and useful lives of the assets were also assessed and calculated by Morrison Low based on site observations, including CCTV surveys, and Morrison Low's experience in valuation projects for other Council's stormwater assets.

Stormwater Drainage Asset Component	Useful Life (Years)	Unit Rate
Stormwater Quality Improvement Devices (Model Type: Rocla Cleansall 1200)	80	\$234,192/each
Concrete Pipe (375mm diameter, 0-1m depth) based on trenching method	150	\$409.83/m
Box Culvert (1800 width x 1200 height)	150	\$4762.05/m
Converter (600mm length)	150	\$824/each
Surface Inlet Pit (450mmx450mm, 1 m depth)	150	\$1,735/each
Rainwater Re-use Tank	80	Average \$624,739.00/each

Other Open Space/Recreational Assets

Includes:

- Jetties and seawalls (collectively categorised as 'marine assets'),
- Parks, bushlands, reserves, playgrounds, unmade roads and sporting fields (collectively categorised as 'parks and open space assets')

Gross replacement cost for marine assets were valued by APV Valuer and Asset Management Pty Ltd as at 1 July 2017 in accordance with accepted Australian Accounting Standards. Unit rates for marine assets were estimated using construction costs from recent projects, APV databases, Rawlinson's Construction Guide, bench marking and costs from first principals. They were then adjusted for condition and comparability.

The condition, useful lives and remaining useful lives of the assets were assessed and calculated by APV Valuer and Asset Management Pty Ltd based on site observations.

Gross replacement cost for Mosman parks and open space assets were valued by APV Valuer and Asset Management Pty Ltd as at 1 July 2018.

Unit rates for parks and open space assets were estimated based on APV Valuers and Asset Management industry experience. Inputs include recent costings from parks and open space works, quoted prices, cost guides and unit rate databases.

The gross replacement costs were increased by indexing unit rates when there was limited information. Regular inventory and condition audits have been undertaken by experienced Council Officers.

The condition and useful lives of the assets were assessed and calculated by a suitably qualified employee of APV Valuers and Asset Management based on site observations, professional knowledge and comparison to similar assets from other Council areas. Useful lives were updated to reflect current asset performance.

Fair values for Open Space assets have been generated on the cost approach.

Typical useful lives and unit rates (includes overheads):

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

Open Space/Recreational and Other Structures Asset Component	Useful Life (Years)	Unit Rate
Timber Deck	46	\$450/m2
Concrete Deck	65	\$800/m2
Concrete Seawall	59	\$2,230/m
Steel Turning Board	19	\$60,000/each
Oval Lights	25	\$45,716/each
Park ID Signs	30	\$6,640/each
Shade Sail	10	\$178/m2
Dinghy Racks Steel	25	\$17,143/each

Heritage Collections and 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 and estimated remaining useful life.

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

Other Assets

Other assets are banner poles erected on Military Road and side streets. They 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. The key unobservable input to the valuation is the remaining useful life. 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 and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Art collection	Operational Land
2019					
Opening balance	750	89	61	5,420	152,156
Purchases (GBV)	215	226	2	392	—
Disposals (WDV)	(5)	—	—	—	(116)
Depreciation and impairment	(192)	(40)	(14)	—	—
Closing balance	768	275	49	5,812	152,040
2020					
Opening balance	768	275	49	5,812	152,040
Purchases (GBV)	107	235	95	147	—
Disposals (WDV)	(1)	—	—	—	—
Depreciation and impairment	(188)	(77)	(11)	—	—
Closing balance	686	433	133	5,959	152,040

\$ '000	Community Land	Land improvements depreciable	Buildings non-specialised	Buildings specialised	Roads
2019					
Opening balance	62,490	696	31,557	15,937	105,610

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Community Land	Land improvement s depreciable	Buildings non-specialis ed	Buildings specialised	Roads
Transfers from/(to) another asset class	—	—	—	—	798
Purchases (GBV)	—	105	4,931	62	4,020
Disposals (WDV)	—	—	(513)	(7)	(103)
Depreciation and impairment	—	(9)	(729)	(502)	(2,355)
Closing balance	62,490	792	35,246	15,490	107,970
2020					
Opening balance	62,490	792	35,246	15,490	107,970
Transfers from/(to) another asset class	—	—	—	—	87
Purchases (GBV)	—	128	226	902	2,027
Disposals (WDV)	—	—	(40)	(168)	(163)
Depreciation and impairment	—	(10)	(762)	(412)	(2,366)
FV gains – other comprehensive income	8,448	—	3,647	1,425	—
Closing balance	70,938	910	38,317	17,237	107,555

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Footpaths	Stormwater drainage	Other open space recreational	Heritage collections	Library books
2019					
Opening balance	14,650	50,373	32,700	13	788
Transfers from/(to) another asset class	—	314	349	—	—
Purchases (GBV)	524	292	2,071	—	230
Disposals (WDV)	(27)	(8)	(85)	—	—
Depreciation and impairment	(248)	(491)	(820)	—	(236)
FV gains – other comprehensive income	—	(1,118)	(3,507)	—	—
Closing balance	14,899	49,362	30,708	13	782
2020					
Opening balance	14,899	49,362	30,708	13	782
Transfers from/(to) another asset class	—	—	163	—	—
Purchases (GBV)	592	279	2,032	—	187
Disposals (WDV)	(48)	(7)	(74)	—	—
Depreciation and impairment	(248)	(492)	(833)	—	(231)
Closing balance	15,195	49,142	31,996	13	738

\$ '000	Other assets	Total
2019		
Opening balance	39	473,329
Transfers from/(to) another asset class	—	1,461
Purchases (GBV)	—	13,070
Disposals (WDV)	—	(864)
Depreciation and impairment	(4)	(5,640)
FV gains – other comprehensive income	—	(4,625)
Closing balance	35	476,731
2020		
Opening balance	35	476,731
Transfers from/(to) another asset class	—	250
Purchases (GBV)	—	6,957
Disposals (WDV)	—	(501)
Depreciation and impairment	(4)	(5,634)
FV gains – other comprehensive income	—	13,520
Closing balance	31	491,323

(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 2020

Note 25. Related party disclosures

Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,440	1,481
Other long-term benefits	27	28
Total	1,467	1,509

Note 26. Events occurring after the reporting date

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

Note 27. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S7.12 levies – under a plan	2,549	1,285	–	40	(2,217)	–	1,657	–
Total S7.11 and S7.12 revenue under plans	2,549	1,285	–	40	(2,217)	–	1,657	–
S7.4 planning agreements	114	495	–	–	(160)	–	449	–
Total contributions	2,663	1,780	–	40	(2,377)	–	2,106	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – OPEN SPACE & CAR PARKING

Open space	2,549	1,285	–	40	(2,217)	–	1,657	–
Total	2,549	1,285	–	40	(2,217)	–	1,657	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	262	0.57%	3.83%	4.28%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	45,758				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	42,582	89.53%	88.99%	87.84%	>60.00%
Total continuing operating revenue ¹	47,560				
3. Unrestricted current ratio					
Current assets less all external restrictions	11,987	1.38x	1.68x	1.87x	>1.50x
Current liabilities less specific purpose liabilities	8,677				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,399	2.94x	4.54x	4.71x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,179				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,108	3.90%	3.33%	2.48%	<5.00%
Rates, annual and extra charges collectible	28,438				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	13,626	3.55 mths	3.83 mths	4.22 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	3,843				

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

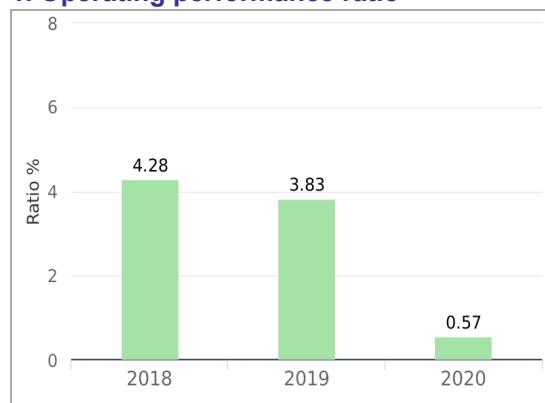
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 0.57%

Operating Result reduced significantly due to Covid 19 related factors

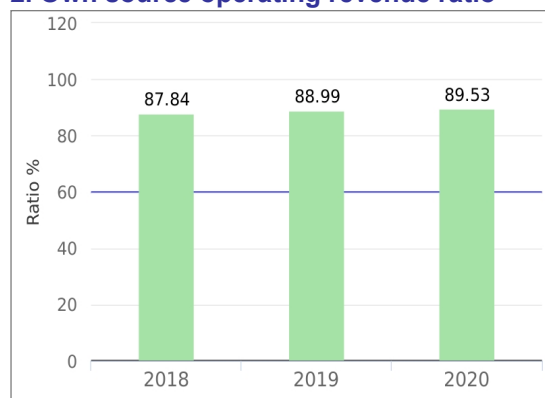
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 89.53%

Comfortably exceeds the benchmark and is consistent with trend of previous years

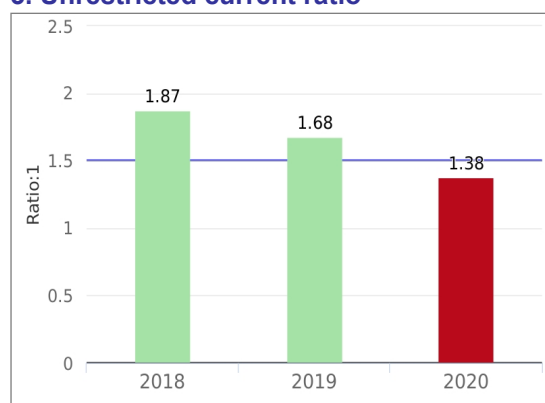
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.38x

Council did not achieve ratio due to Covid 19 related reduction in income

Benchmark: — > 1.50x

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

Ratio achieves benchmark

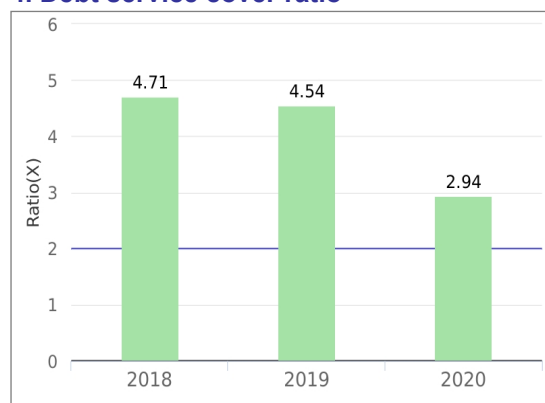
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.94x

Significant reduction in Operating Result reduced significantly due to Covid 19 related factors Council, however, still achieves benchmark

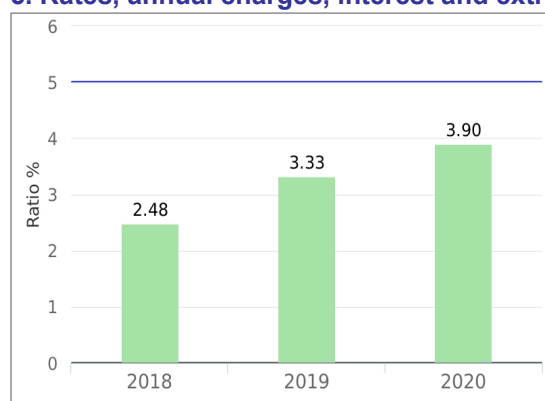
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 3.90%

Remains comfortably within benchmark despite slight increase in outstanding due to Covid related factors

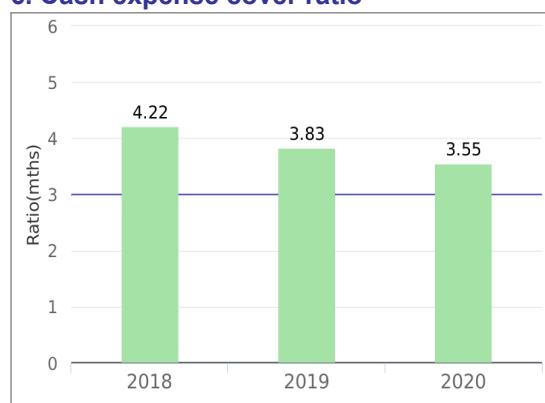
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.55 mths

Council achieves benchmark despite slight decrease in cash balances due to Covid 19 related factors

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Council information and contact details

Note 29. Council information and contact details

Principal place of business:

Civic Centre

Mosman Square, MOSMAN, 2088

Contact details

Enquiries on the Financial Statement to Council's Accountant Finance and Strategy, Christian Menday on 02 9978 4072.

Mailing Address:

PO Box 211 Monday to Friday 8.30 am to 5pm

SPIT JUNCTION NSW 2088

Opening hours:

8:30am - 5:00pm

Monday to Friday

Telephone: 02 9978 4000

Facsimile: 02 9978 4132

Internet: www.mosman.nsw.gov.au

Email: council@mosman.nsw.gov.au

Officers

General Manager

Dominic Johnson

Responsible Accounting Officer

Gary Mills - Chief Financial Officer

Public Officer

Ben Wicks - Director Corporate Services

Auditors

Auditor General of New South Wales

Elected members

Mayor

Carolyn Corrigan

Councillors

Roy Bendall

David Cook

Simon Menzies

Libby Moline (Deputy Mayor)

Tom Sherlock

Jacqui Willoughby

Other information

ABN: 94 414 022 939



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Mosman Municipal Council

To the Councillors of Mosman Municipal Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 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.



Unaib Jeoffrey

Delegate of the Auditor-General for New South Wales

13 November 2020
SYDNEY



Cr Carolyn Corrigan
Mayor
Mosman Municipal Council
PO Box 211
SPIT JUNCTION NSW 2088

Contact: Unaib Jeoffrey
Phone no: 02 9275 7450
Our ref: D2026523/1762

13 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Mosman Municipal Council**

I have audited the general purpose financial statements (GPFS) of the Mosman Municipal Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	27.5	26.9	2.2
Grants and contributions revenue	5.0	5.5	9.1
Operating result from continuing operations	3.2	5.3	39.6
Net operating result before capital grants and contributions	1.4	2.9	51.7

The Council's operating result from continuing operations (\$3.2 million including depreciation and amortisation expense of \$5.7 million) was \$2.1 million lower than the 2018–19 result.

The decrease was primarily attributable to a \$1.0 million decrement to income from parking fines and a \$0.5 million decrement in rental income as a result of the COVID-19 pandemic.

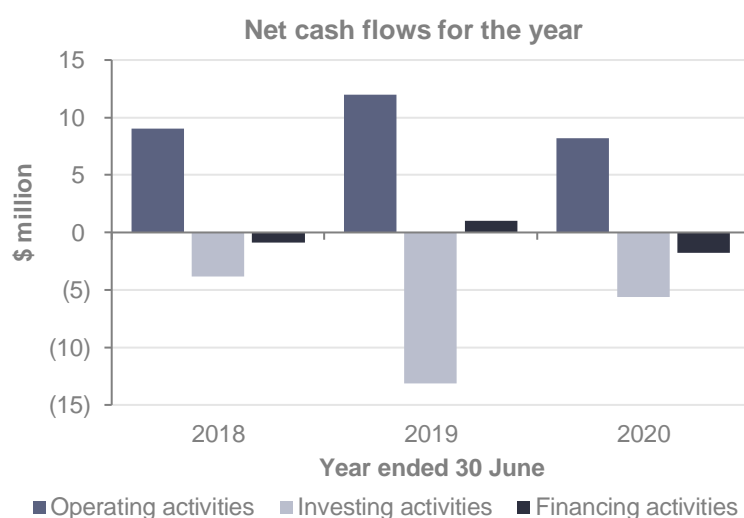
The net operating result before capital grants and contributions (\$1.4 million) was \$1.5 million lower than the 2018–19 result. This movement was due to changes in the operating result as noted above.

Rates and annual charges revenue (\$27.5 million) increased by \$0.6 million (2.2 per cent) in 2019–20. This movement was largely consistent with the approved rate peg of 2.3 per cent, partially offset by a slight reduction in pensioner rebate subsidies received.

Grants and contributions revenue (\$5.0 million) decreased by \$0.5 million (9.1 per cent) in 2019–20 primarily due to a reduction in state government funding related to transport projects.

STATEMENT OF CASH FLOWS

- The Council's cash balance remained fairly stable at \$12.6 million at 30 June 2020 (\$11.9 million at 30 June 2019).
- Cash inflows from operating activities decreased from last year as a result of lower receipts from user charges and fees.
- Cash outflows from investing activities decreased primarily due to a decrease in purchase of infrastructure, property, plant and equipment.
- The cash flows from financing activities decreased slightly from borrowing proceeds.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	4.3	5.3	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management charges. Internal restrictions are due to Council policy or decisions for forward plans including the works program. The movement in 2020 included a decrease of \$2.4 million for unspent loan related to the Allan Border Oval project. Unrestricted balances provide liquidity for day-to-day operations and increased compared to the prior year.
Internal restrictions	6.3	8.3	
Unrestricted	3.0	1.3	
Cash and investments	13.6	14.9	

PERFORMANCE

Performance measures

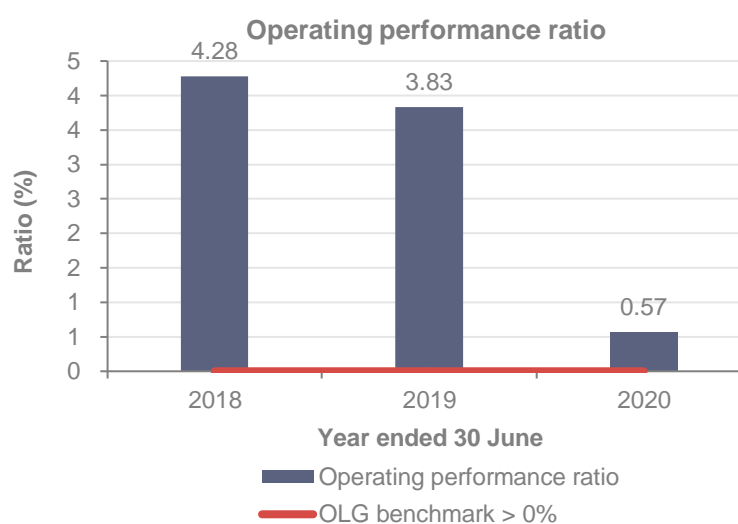
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

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

This ratio has reduced in the current reporting period as the Council's income has decreased due to COVID-19 pandemic.

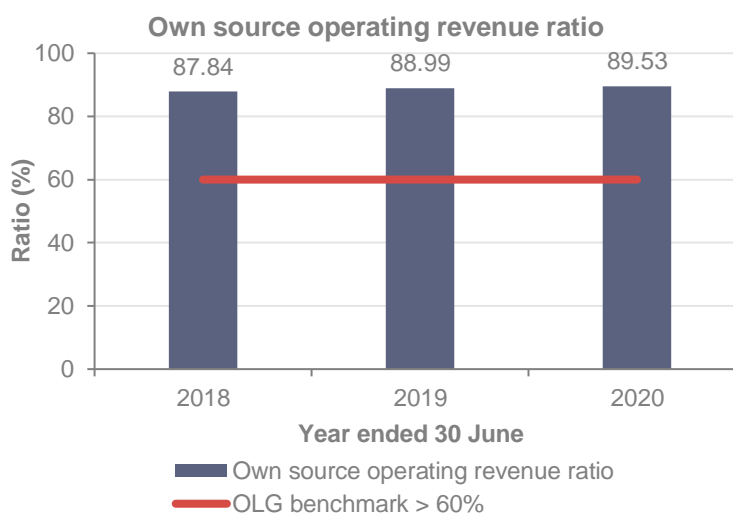


Own source operating revenue ratio

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

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

The ratio has remained steady for the past three years.

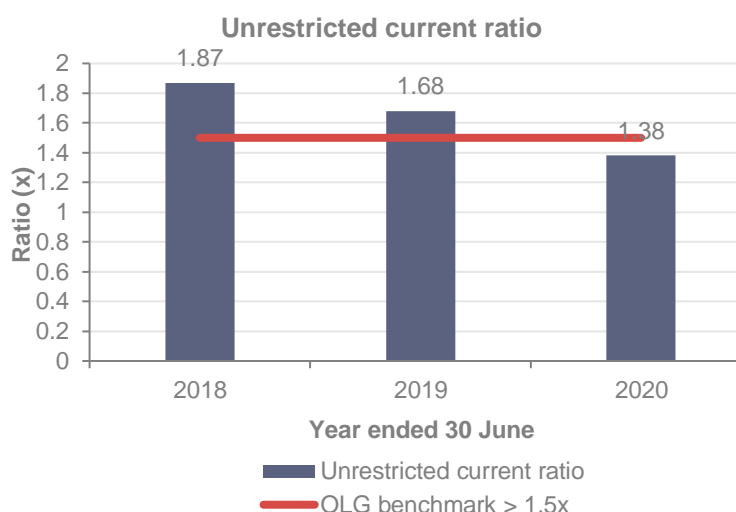


Unrestricted current ratio

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

The Council did not meet the OLG benchmark for the current reporting period, largely due to the impacts from the COVID-19 pandemic.

This ratio indicates that Council currently has \$1.38 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

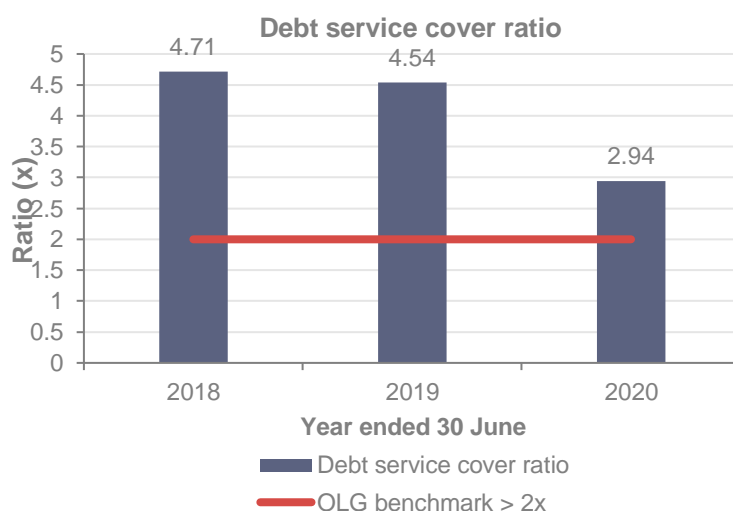


Debt service cover ratio

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

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

Council appears to be effectively monitoring its liquidity levels to ensure it can meet its current liabilities when they fall due.

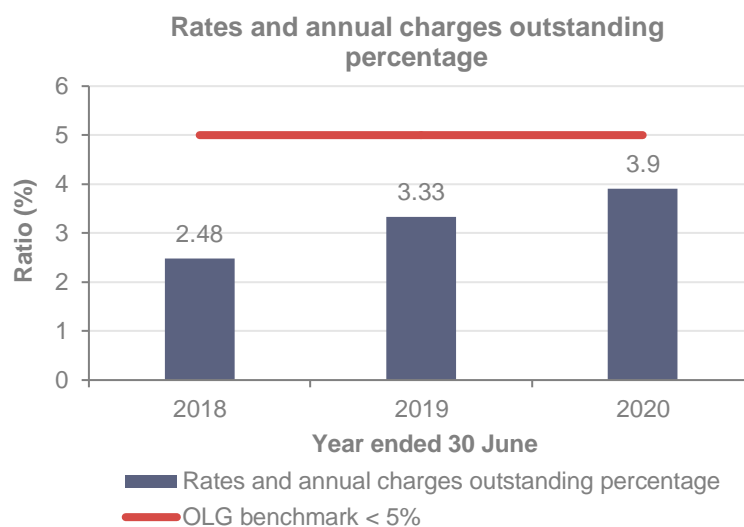


Rates and annual charges outstanding percentage

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

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

The ratio has trended upwards in the last three years.

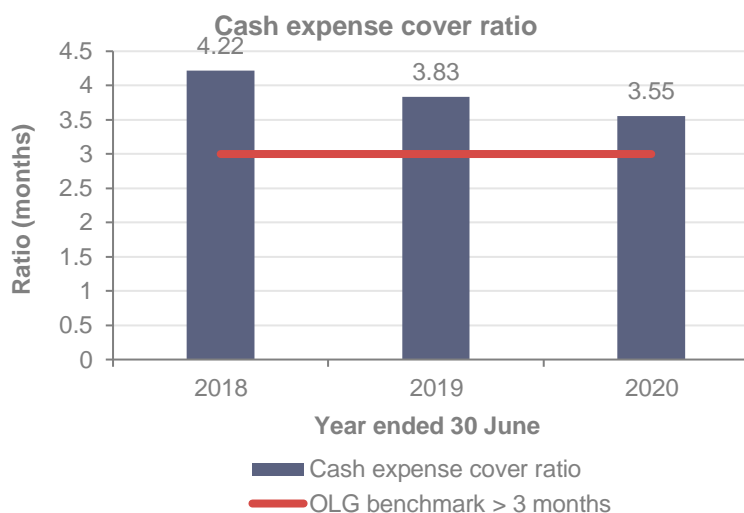


Cash expense cover ratio

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

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

This indicates that Council had the capacity to cover 3.55 months of cash expenditure without additional cash inflows at 30 June 2020.



Infrastructure, property, plant and equipment renewals

Council spent \$6.5 million on asset renewals in 2019-20 compared to \$10.1 million in 2018-19. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2018-19, asset renewals of \$6.5 million represented 114 per cent of Council's \$5.7 million depreciation expense. This result was lower than the 2018-19 result of 178 per cent.

Asset renewals in 2019-20 were carried out in accordance with Council's capital works program and were primarily related to buildings, open space assets and road assets.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$0.4 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets and lease liabilities of \$1.15 million at 1 July 2019 on adoption of AASB 16 relating to embedded assets in the Council's waste management contract.

The Council disclosed the impact of adopting AASB 16 in Note 14 and Note 17.

Legislative compliance

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

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



Unaib Jeffrey
Audit Leader, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Dominic Johnson, General Manager
Louise Scambler, Chair of the Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Mosman Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

*Proud to be Mosman | Protecting our Heritage | Planning our
Future | Involving our Community*



Special Purpose Financial Statements
for the year ended 30 June 2020

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Mosman Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*Proud to be Mosman | Protecting our Heritage | Planning our
Future | Involving our Community*



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	20,587	20,037
Plus or minus adjustments ²	b	6	4
Notional general income	$c = a + b$	20,593	20,041
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	$i = e \times (c + g)$	535	541
Sub-total	$k = (c + g + h + i + j)$	21,128	20,582
Plus (or minus) last year's carry forward total	l	13	18
Sub-total	$n = (l + m)$	13	18
Total permissible income	$o = k + n$	21,141	20,600
Less notional general income yield	p	21,096	20,587
Catch-up or (excess) result	$q = o - p$	46	14
Less unused catch-up ⁵	s	(14)	—
Carry forward to next year ⁶	$t = q + r + s$	32	14

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Mosman Municipal Council

To the Councillors of Mosman Municipal Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping horizontal stroke extending to the right.

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

13 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – specialised	–	–	364	555	17,236	23,907	43.0%	32.0%	25.0%	0.0%	0.0%
	Council offices	–	–	168	554	12,013	15,268	67.0%	32.0%	1.0%	0.0%	0.0%
	Council works depot	–	–	37	56	1,981	2,434	65.0%	35.0%	0.0%	0.0%	0.0%
	Library	–	–	102	93	5,595	8,307	10.0%	52.0%	38.0%	0.0%	0.0%
	Cultural facilities	–	–	244	175	7,765	10,160	57.0%	39.0%	4.0%	0.0%	0.0%
	Other buildings	–	–	128	87	1,279	3,694	30.0%	50.0%	20.0%	0.0%	0.0%
	Childcare centres	–	–	15	11	–	–	2.0%	65.0%	33.0%	0.0%	0.0%
	Multistorey car park	–	–	184	127	9,685	12,260	0.0%	12.0%	88.0%	0.0%	0.0%
	Sub-total	–	–	1,242	1,658	55,554	76,030	39.2%	32.9%	27.9%	0.0%	0.0%
Roads	Sealed roads	239	239	1,167	1,708	51,624	90,854	26.0%	52.0%	21.0%	1.0%	0.0%
	Footpaths	99	99	143	57	15,912	20,574	32.0%	54.0%	12.0%	2.0%	0.0%
	Other road assets	234	234	57	14	17,947	23,632	35.0%	37.0%	26.0%	2.0%	0.0%
	Kerb and Gutter	–	–	42	12	12,863	30,147	11.0%	54.0%	35.0%	0.0%	0.0%
	Retaining Walls	165	165	38	4	19,077	38,551	17.0%	45.0%	37.0%	1.0%	0.0%
	Physical Traffic Devices	58	58	107	22	4,031	5,425	52.0%	32.0%	13.0%	3.0%	0.0%
	Lines and Signs	–	–	32	1	184	2,168	34.0%	41.0%	25.0%	0.0%	0.0%
	Street Furniture	168	168	17	2	1,112	3,600	20.0%	25.0%	49.0%	6.0%	0.0%
	Sub-total	963	963	1,603	1,820	122,750	214,951	24.5%	48.5%	25.8%	1.2%	0.0%
Stormwater drainage	Stormwater quality improvement devices	100	100	61	70	3,037	3,833	16.0%	12.0%	67.0%	5.0%	0.0%
	Rainwater re-use tank	–	–	18	–	1,213	1,402	40.0%	60.0%	0.0%	0.0%	0.0%
	Open conduits (drains)	1	1	33	28	2,069	3,370	18.0%	45.0%	37.0%	0.0%	0.0%
	Closed conduits (pipes)	126	126	60	14	35,369	50,921	5.0%	51.0%	43.0%	1.0%	0.0%
	Nodes (pits)	1	1	60	100	7,454	9,495	4.0%	88.0%	7.0%	1.0%	0.0%
	Sub-total	228	228	232	212	49,142	69,021	6.8%	53.8%	38.2%	1.2%	0.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Marine structures	133	133	42	16	7,000	13,551	23.0%	6.0%	69.0%	2.0%	0.0%
	Sporting fields	5	5	537	457	4,841	6,128	59.0%	26.0%	15.0%	0.0%	0.0%
	Parks & reserves	27	27	742	1,499	7,980	11,517	9.0%	16.0%	74.0%	1.0%	0.0%
	Other	6	6	789	551	12,175	15,194	1.0%	42.0%	57.0%	0.0%	0.0%
	Sub-total	171	171	2,110	2,523	31,996	46,390	17.1%	22.9%	59.2%	0.8%	0.0%
TOTAL - ALL ASSETS		1,362	1,362	5,187	6,213	259,442	406,392	23.4%	43.6%	32.1%	0.9%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	6,478	126.70%	184.88%	198.48%	>=100.00%
Depreciation, amortisation and impairment	5,113				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	1,362	0.52%	1.03%	1.03%	<2.00%
Net carrying amount of infrastructure assets	259,442				
Asset maintenance ratio					
Actual asset maintenance	6,213	119.78%	106.89%	124.85%	>100.00%
Required asset maintenance	5,187				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,362	0.34%	0.64%	0.63%	
Gross replacement cost	406,392				

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

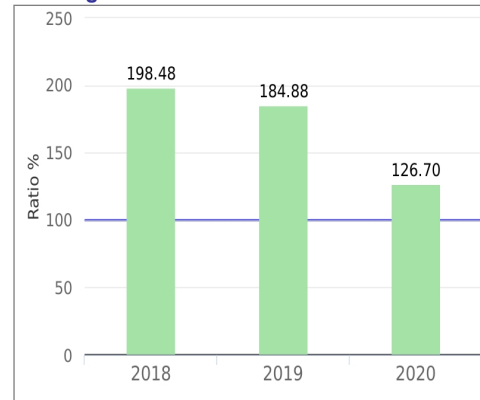
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 126.70%

Council continues its commitment to the community to renew its infrastructure assets

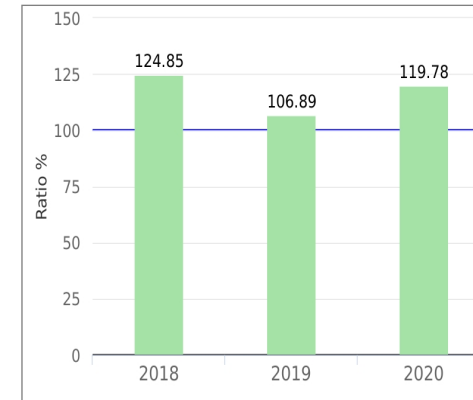
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

19/20 ratio 119.78%

Council continues its commitment to the community to maintain its infrastructure assets

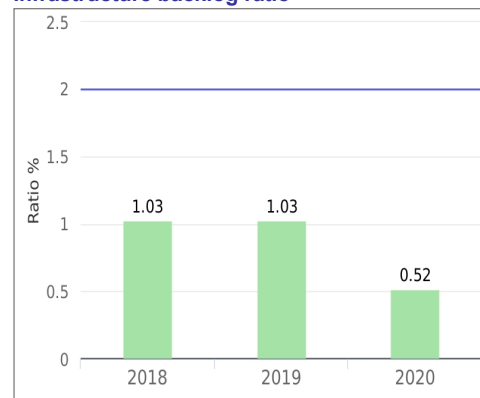
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 0.52%

Councils active capital works program ensures this ratio is well within the benchmark and reducing

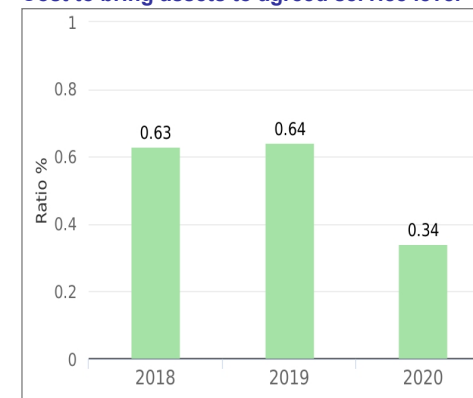
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 0.34%

Councils active capital works program ensures this ratio is well within the benchmark and reducing