

SUSTAINABLE BLUE MOUNTAINS **together**



# Annual Financial Statements 2018-2019



## **Acknowledgement of *Ngurra* (Country)**

The City of the Blue Mountains is located within the Country of the Darug and Gundungurra peoples. Blue Mountains City Council recognises that Darug and Gundungurra Traditional Owners have a continuous and deep connection to their Country and that this is of great cultural significance to Aboriginal people, both locally and in the region.

For Darug and Gundungurra Traditional Owners, *Ngurra* (Country) takes in everything within the physical, cultural and spiritual landscape - landforms, waters, air, trees, rocks, plants, animals, foods, medicines, minerals, stories and special places. It includes cultural practice, kinship, knowledge, songs, stories and art, as well as spiritual beings, and people: past, present and future.

For countless generations, Traditional Owners have cared for their *Ngurra* in what is now the Blue Mountains and through this, *Ngurra* has sustained and nourished them. Caring for *Ngurra* is central to Aboriginal culture, being recognised as a holistic embodiment of environmental sustainability. Locally, and as a nation, there is much to learn from the special relationship between Aboriginal people and Country.

In order to honour the past and respond to the future it is important to recognise and address the as yet largely unresolved issue of Traditional Ownership by Aboriginal peoples, recognised in part by the Native Title Act 1993. The dispossession of Traditional Owners resulting from the European colonisation of Australia, and the ongoing disadvantage experienced by Aboriginal peoples requires redress. This process starts by recognising the deep, strong, unbroken connection to *Ngurra* (Country) held by Traditional Owners in the Blue Mountains.

Blue Mountains City Council pays respect to Elders past and present while recognising the strength, capacity and resilience of past and present Aboriginal and Torres Strait Islander people in the Blue Mountains region.

# Blue Mountains City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*Resourcing Sustainable Blue Mountains 2025*



## General Purpose Financial Statements for the year ended 30 June 2019

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### Overview

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

2-6 Civic Place  
Katoomba NSW 2780

Council's guiding principles are detailed in Chapter 3 of the LGA and include:

- 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.bmcc.nsw.gov.au](http://www.bmcc.nsw.gov.au)

## General Purpose Financial Statements for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

# Blue Mountains City Council

## General Purpose Financial Statements for the year ended 30 June 2019

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

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- 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 27 August 2019.



Mark Greenhill OAM  
Mayor  
Date 03/09/2019



Chris Van Der Kley  
Councillor - Deputy Mayor  
Date 03/09/2019



Rosemary Dillon  
Chief Executive Officer  
Date 03/09/2019



Haile Ryzak  
Responsible Accounting Officer  
Date 03/09/2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 <sup>1</sup> \$ '000
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
79,107	Rates and annual charges	3a	80,217	74,996
20,431	User charges and fees	3b	16,823	17,221
554	Interest and investment revenue	3c	887	1,000
3,283	Other revenues	3d	6,220	6,352
14,187	Grants and contributions provided for operating purposes	3e,3f	15,127	15,614
10,264	Grants and contributions provided for capital purposes	3e,3f	6,545	2,982
<b>Other income:</b>				
262	Net gains from the disposal of assets	5	—	—
—	Fair value increment on investment properties	11	1,665	—
—	Net share of interests in joint ventures and associates using the equity method	16	400	370
<b>128,088</b>	<b>Total income from continuing operations</b>		<b>127,884</b>	<b>118,535</b>
<b>Expenses from continuing operations</b>				
57,755	Employee benefits and on-costs	4a	57,410	52,274
1,961	Borrowing costs	4b	2,017	2,236
25,152	Materials and contracts	4c	30,431	27,969
16,000	Depreciation and amortisation	4d	19,142	15,904
15,812	Other expenses	4e	16,012	21,833
—	Net losses from the disposal of assets	5	91	—
—	Revaluation decrement / impairment of IPP&E	4d	—	79
<b>116,680</b>	<b>Total expenses from continuing operations</b>		<b>125,103</b>	<b>120,295</b>
<b>11,408</b>	<b>Operating result from continuing operations</b>		<b>2,781</b>	<b>(1,760)</b>
<b>11,408</b>	<b>Net operating result for the year</b>		<b>2,781</b>	<b>(1,760)</b>
11,408	Net operating result attributable to council		2,781	(1,760)
<b>1,144</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(3,764)</b>	<b>(4,742)</b>

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

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

**Statement of Comprehensive Income**  
for the year ended 30 June 2019

	Notes	2019 \$ '000	2018 <sup>1</sup> \$ '000
<b>Net operating result for the year (as per Income Statement)</b>		<b>2,781</b>	<b>(1,760)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	10,807	238,805
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>10,807</b>	<b>238,805</b>
<b>Total other comprehensive income for the year</b>		<b>10,807</b>	<b>238,805</b>
<b>Total comprehensive income for the year</b>		<b>13,588</b>	<b>237,045</b>
Total comprehensive income attributable to Council		13,588	237,045

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

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

**Statement of Financial Position**  
as at 30 June 2019

	Notes	2019 \$ '000	2018 <sup>1</sup> \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	6,648	6,696
Investments	6(b)	23,000	22,000
Receivables	7	6,928	5,615
Inventories	8a	483	434
Other	8b	496	622
Non-Current assets classified as 'held for sale'	9i	845	870
<b>Total current assets</b>		<b>38,400</b>	<b>36,237</b>
<b>Non-current assets</b>			
Investments	6(b)	1,000	3,000
Infrastructure, property, plant and equipment	10	993,735	987,770
Investment property	11a	6,372	4,707
Investments accounted for using the equity method	16	4,091	3,691
<b>Total non-current assets</b>		<b>1,005,198</b>	<b>999,168</b>
<b>TOTAL ASSETS</b>		<b>1,043,598</b>	<b>1,035,405</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	6,309	9,852
Income received in advance	12	1,198	182
Borrowings	12	4,153	4,675
Provisions	13	14,488	12,597
<b>Total current liabilities</b>		<b>26,148</b>	<b>27,306</b>
<b>Non-current liabilities</b>			
Borrowings	12	24,308	28,635
Provisions	13	3,660	3,570
<b>Total non-current liabilities</b>		<b>27,968</b>	<b>32,205</b>
<b>TOTAL LIABILITIES</b>		<b>54,116</b>	<b>59,511</b>
<b>Net assets</b>		<b>989,482</b>	<b>975,894</b>
<b>EQUITY</b>			
Accumulated surplus	14a	308,368	305,587
Revaluation reserves	14a	681,114	670,307
<b>Council equity interest</b>		<b>989,482</b>	<b>975,894</b>
<b>Total equity</b>		<b>989,482</b>	<b>975,894</b>

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

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

## Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus \$'000	IPP&E revaluation reserve \$'000	Total equity \$'000	Accumulated surplus \$'000	IPP&E revaluation reserve \$'000	Total equity \$'000
Opening balance		305,587	670,307	975,894	307,347	431,502	738,849
Net operating result for the year		2,781	–	2,781	(1,760)	–	(1,760)
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	10,807	10,807	–	238,805	238,805
<b>Other comprehensive income</b>							
<b>Total comprehensive income</b>		<u>2,781</u>	<u>10,807</u>	<u>13,588</u>	<u>(1,760)</u>	<u>238,805</u>	<u>237,045</u>
<b>Equity – balance at end of the reporting period</b>		<u>308,368</u>	<u>681,114</u>	<u>989,482</u>	<u>305,587</u>	<u>670,307</u>	<u>975,894</u>

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

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

**Statement of Cash Flows**

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000	Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
79,107		79,045	73,508
20,431		17,839	18,102
816		967	1,120
24,451		21,672	19,925
–		–	8
3,283		11,241	11,496
<b>Payments</b>			
(57,755)		(54,905)	(52,622)
(25,152)		(32,507)	(30,848)
(1,961)		(2,056)	(2,282)
–		(332)	–
(15,812)		(22,797)	(21,625)
<b>Net cash provided (or used in) operating activities</b>	15b	<b>18,167</b>	<b>16,782</b>
<b>Cash flows from investing activities</b>			
<b>Receipts</b>			
–		27,000	30,000
1,736		1,165	1,041
<b>Payments</b>			
–		(26,000)	(25,000)
(27,894)		(15,531)	(18,498)
<b>(26,158)</b>		<b>(13,366)</b>	<b>(12,457)</b>
<b>Cash flows from financing activities</b>			
<b>Payments</b>			
(4,768)		(4,849)	(5,488)
<b>(4,768)</b>		<b>(4,849)</b>	<b>(5,488)</b>
<b>(3,518)</b>		<b>(48)</b>	<b>(1,163)</b>
–		6,696	7,859
<b>Plus: cash and cash equivalents – beginning of year</b>	15a		
<b>Cash and cash equivalents – end of the year</b>	15a	<b>6,648</b>	<b>6,696</b>
Additional Information:			
–		24,000	25,000
<b>(3,518)</b>		<b>30,648</b>	<b>31,696</b>

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

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

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

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 27/08/2019. Council has the power to amend and reissue these financial statements.

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

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

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

Council is a not for-profit entity for the purpose of preparing these statements.

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

Full dollars have been used in Note 22 Related Party disclosures in relation to the disclosure of specific related party transactions.

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

- Income statement
- Statement of cash flows
- Note 20—Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

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

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

#### (b) Historical cost convention

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

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

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 13
- (iv) employee benefit provisions – refer Note 13.

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

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

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

##### (i) Impairment of receivables

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- S355 Committees

##### (b) The Trust Fund

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

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

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

#### Goods and Services Tax (GST)

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

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

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

#### New accounting standards and interpretations issued not yet effective

##### New accounting standards and interpretations issued but not yet effective

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

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows. Council has not elected to apply any pronouncements before their operative date in these financial statements.

#### AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed. Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

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

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

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

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

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

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

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

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

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

#### **AASB 1058 Income of NFP Entities**

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

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

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

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

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

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

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

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

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

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

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

Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council. Council has not elected to apply any pronouncements before their operative date in these financial statements.

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

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

	Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000
<b>Functions or activities</b>										
Lead – inspiring leadership	85,657	72,759	34,802	35,057	50,855	37,702	7,678	8,460	26,341	312,845
Protect – an environmentally responsible city	20,179	19,623	29,101	26,465	(8,922)	(6,842)	788	831	227,682	186,204
Care – an inclusive, healthy and vibrant city	11,527	14,183	25,006	26,176	(13,479)	(11,993)	3,621	4,091	213,992	198,766
Live – a liveable city	2,309	2,431	8,208	9,542	(5,899)	(7,111)	–	–	3,125	6,674
Move – an accessible city	3,008	4,224	22,170	19,730	(19,162)	(15,506)	2,275	3,106	501,943	349,287
Thrive – an economically sustainable city	5,204	5,315	5,816	3,325	(612)	1,990	2,686	376	10,128	3,922
Other	–	–	–	–	–	–	(50)	(875)	60,387	(22,293)
<b>Total functions and activities</b>	<b>127,884</b>	<b>118,535</b>	<b>125,103</b>	<b>120,295</b>	<b>2,781</b>	<b>(1,760)</b>	<b>16,998</b>	<b>15,989</b>	<b>1,043,598</b>	<b>1,035,405</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Lead - inspiring leadership

1. Strengthen our financial sustainability
2. Provide transparent, fair and accountable leadership and governance at all levels of our City
3. Provide value for money sustainable services and infrastructure
4. Achieve a more sustainable, successful and resilient City

#### Protect - an environmentally responsible city

1. Maintain and enhance the condition, health and diversity of native flora, fauna, habitat, ecosystems, waterways, water catchment and groundwater
2. Use and manage our resources in an environmentally responsible way
3. Protect the Greater Blue Mountains World Heritage Area
4. Support traditional owners and the broader Aboriginal community to connect to, care for and benefit from Country

#### Care - an inclusive, healthy and vibrant city

1. Safe, caring, diverse and inclusive
2. Healthy and active
3. Resilient and prepared for natural disasters
4. Centres of culture, creativity and life-long learning

#### Live - a liveable city

1. Create vibrant and well-designed places and spaces for people to live, work and play
2. Maintain and strengthen the distinctive qualities, local identity and sense of pride in our towns and villages
3. Manage the impact of development on the natural and built environment
4. Meet the diverse housing needs of our City

#### Move - an accessible city

1. Ensure an integrated, accessible and sustainable transport network
2. Provide a safe, well designed and maintained network of roads
3. Provide a safe, well designed, accessible public transport network with good connections within the city and to the Greater Sydney Region
4. Provide a pedestrian and cycleway network that supports active movement and access to centres and facilities

#### Thrive - an economically sustainable city

1. Create a diverse economy that is vibrant, strong and environmentally sustainable with increased local employment
2. Foster a strong identity that builds on our natural and built heritage and creative strengths as a City of Arts and a City surrounded by a World Heritage Area
3. Provide City infrastructure that supports diverse and sustainable economic development
4. Position Blue Mountains as a leader of sustainable tourism and destination management within a World Heritage Area

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

**Note 3. Income from continuing operations**

	2019 \$ '000	2018 \$ '000
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	58,792	54,576
Farmland	366	337
Business	5,488	4,977
Less: pensioner rebates (mandatory)	<u>(1,285)</u>	<u>(1,262)</u>
<b>Rates levied to ratepayers</b>	<b>63,361</b>	<b>58,628</b>
Pensioner rate subsidies received	710	679
<b>Total ordinary rates</b>	<b>64,071</b>	<b>59,307</b>
<b>Special rates</b>		
Emergency service and bushfire control	1,922	1,861
<b>Rates levied to ratepayers</b>	<b>1,922</b>	<b>1,861</b>
<b>Total special rates</b>	<b>1,922</b>	<b>1,861</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	14,377	13,980
Less: pensioner rebates (mandatory)	<u>(335)</u>	<u>(349)</u>
<b>Annual charges levied</b>	<b>14,042</b>	<b>13,631</b>
Pensioner subsidies received:		
– Domestic waste management	182	197
<b>Total annual charges</b>	<b>14,224</b>	<b>13,828</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>80,217</b>	<b>74,996</b>

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

**Accounting policy for rates and charges**

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

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

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

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

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

**Note 3. Income from continuing operations (continued)**

	2019 \$ '000	2018 \$ '000
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	4,699	4,761
<b>Total specific user charges</b>	<b>4,699</b>	<b>4,761</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building regulation	639	599
Inspection services	344	334
Planning and building regulation	1,074	1,228
Regulatory/ statutory fees	14	18
Registration fees	60	80
Section 10.7 certificates (EP&A Act)	145	179
Section 603 certificates	105	133
<b>Total fees and charges – statutory/regulatory</b>	<b>2,381</b>	<b>2,571</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	507	424
Leaseback fees – Council vehicles	329	356
Park rents	106	–
Swimming centres	3,955	4,076
Administration fees	97	110
Caravan park rents	21	20
Cultural and theatre facilities	894	931
Effluent	119	106
Family day care income	276	291
Library	85	74
Nature recreation income	53	32
Parking areas income	1,101	1,074
Photocopies	12	13
Tourism and area promotion income	2,188	2,382
<b>Total fees and charges – other</b>	<b>9,743</b>	<b>9,889</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>16,823</b>	<b>17,221</b>

**Accounting policy for user charges and fees**

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

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

**Note 3. Income from continuing operations (continued)**

	2019 \$ '000	2018 \$ '000
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	206	131
– Cash and investments	681	869
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>887</b>	<b>1,000</b>
 <b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	206	131
General Council cash and investments	100	80
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	62	52
Domestic waste management operations	57	58
Other externally restricted assets	3	26
Unexpended Grants	67	59
RMS Contributions	1	2
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	391	592
<b>Total interest and investment revenue</b>	<b>887</b>	<b>1,000</b>

**Accounting policy for interest and investment revenue**

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

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

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

**Note 3. Income from continuing operations (continued)**

	Notes	2019 \$ '000	2018 \$ '000
<b>(d) Other revenues</b>			
Rental income – investment property	11	1,985	1,912
Rental income – other council properties		716	724
Fines		282	259
Legal fees recovery – rates and charges (extra charges)		316	260
Insurance claims recoveries		258	124
CivicRisk West Insurance return		–	179
Community and recreational income		16	9
Corporate sundry income		1,539	1,857
Cultural and theatre facilities		618	518
Other		56	99
Engineering works income		4	2
Fire protection income		16	4
Health income		14	5
Plant hire and works		17	13
RMS / service NSW agency		383	387
<b>TOTAL OTHER REVENUE</b>		<b>6,220</b>	<b>6,352</b>

**Accounting policy for other revenue**

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

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

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

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

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

**Note 3. Income from continuing operations (continued)**

	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	3,642	3,691	–	–
Financial assistance – local roads component	684	667	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	3,776	3,789	–	–
Financial assistance – local roads component	709	694	–	–
<b>Total general purpose</b>	<b>8,811</b>	<b>8,841</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Aged care	–	78	–	–
Bushfire and emergency services	755	601	471	1,378
Child care	1,116	1,051	–	–
Community care	22	–	–	–
Employment and training programs	9	52	–	–
Environmental programs	653	393	–	–
Heritage and cultural	221	163	–	–
Library – per capita	146	148	–	–
Library – special projects	47	58	–	–
Local Infrastructure Renewal Scheme interest	260	302	–	–
Recreation and culture	–	–	269	443
Street lighting	240	235	–	–
Traffic route subsidy	–	–	18	–
Transport (roads to recovery)	624	1,490	–	–
Transport (other roads and bridges funding)	–	–	–	20
Community services	93	100	–	–
Floodplain	–	69	14	49
Other	88	22	343	49
Waste	121	123	–	–
Tourism	–	–	2,677	324
<b>Total specific purpose</b>	<b>4,395</b>	<b>4,885</b>	<b>3,792</b>	<b>2,263</b>
<b>Total grants</b>	<b>13,206</b>	<b>13,726</b>	<b>3,792</b>	<b>2,263</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	10,559	10,410	2,646	587
– State funding	2,624	3,282	1,146	1,496
– Other funding	23	34	–	180
	<b>13,206</b>	<b>13,726</b>	<b>3,792</b>	<b>2,263</b>

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

**Note 3. Income from continuing operations (continued)**

	Notes	Operating 2019 \$ '000	Operating 2018 \$ '000	Capital 2019 \$ '000	Capital 2018 \$ '000	
<b>(f) Contributions</b>						
<b>Developer contributions:</b> <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.12 – fixed development consent levies		743	1,006	–	–	
<b>Total developer contributions – cash</b>		<b>743</b>	<b>1,006</b>	<b>–</b>	<b>–</b>	
<b>Total developer contributions</b>	24	<b>743</b>	<b>1,006</b>	<b>–</b>	<b>–</b>	
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Bushfire services		–	–	1,953	486	
Community services		–	4	9	21	
RMS contributions (regional roads, block grant)		344	357	312	212	
Other		–	60	–	–	
Regional strategic alliance		540	187	–	–	
Road and footpath restoration		294	274	–	–	
<b>Total other contributions – cash</b>		<b>1,178</b>	<b>882</b>	<b>2,274</b>	<b>719</b>	
<b>Non-cash contributions</b>						
Recreation and culture		–	–	479	–	
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>479</b>	<b>–</b>	
<b>Total other contributions</b>		<b>1,178</b>	<b>882</b>	<b>2,753</b>	<b>719</b>	
<b>Total contributions</b>		<b>1,921</b>	<b>1,888</b>	<b>2,753</b>	<b>719</b>	
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>15,127</b>	<b>15,614</b>	<b>6,545</b>	<b>2,982</b>	

**Accounting policy for grants and contributions**

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

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

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

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

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

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

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

**Note 3. Income from continuing operations (continued)**

	2019 \$ '000	2018 \$ '000
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,458	1,626
<b>Add:</b> operating grants recognised in the current period but not yet spent	1,121	502
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(681)	(670)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>1,898</b>	<b>1,458</b>

Unspent grants consist of Financial Assistance Grant, Fire Protection, Community Services, Environment, Floodplain Management, Waste Recycling, Heritage and Culture.

<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	118	157
<b>Add:</b> capital grants recognised in the current period but not yet spent	525	20
<b>Less:</b> capital grants recognised in a previous reporting period now spent	–	(59)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>643</b>	<b>118</b>

Unexpended Capital Grants consist of Visitor Infrastructure Upgrade.

<b>Contributions</b>		
Unexpended at the close of the previous reporting period	3,173	2,667
<b>Add:</b> contributions recognised in the current period but not yet spent	1,017	1,147
<b>Less:</b> contributions recognised in a previous reporting period now spent	(311)	(641)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>3,879</b>	<b>3,173</b>

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

**Note 4. Expenses from continuing operations**

	2019 \$ '000	2018 \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	44,454	42,352
Employee leave entitlements (ELE)	6,750	3,563
Superannuation	4,920	5,221
Workers' compensation insurance	784	772
Fringe benefit tax (FBT)	46	78
Training costs (other than salaries and wages)	456	352
<b>Total employee costs</b>	<b>57,410</b>	<b>52,338</b>
Less: capitalised costs	—	(64)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>57,410</b>	<b>52,274</b>
Number of 'full-time equivalent' employees (FTE) at year end	537	549
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	619	567

**Accounting policy for employee benefits and on-costs**

Employee benefit expenses are recorded when the service has been provided by the employee.

*Retirement benefit obligations*

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

*Superannuation plans*

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

	2019 \$ '000	2018 \$ '000
<b>(b) Borrowing costs</b>		
<b>(i) Interest bearing liability costs</b>		
Interest on loans	1,930	2,236
<b>Total interest bearing liability costs expensed</b>	<b>1,930</b>	<b>2,236</b>
<b>(ii) Other borrowing costs</b>		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	13	87
<b>Total other borrowing costs</b>	<b>87</b>	—
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>2,017</b>	<b>2,236</b>

**Accounting policy for borrowing costs**

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

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

**Note 4. Expenses from continuing operations (continued)**

	2019 \$ '000	2018 \$ '000
<b>(c) Materials and contracts</b>		
Raw materials and consumables	24,104	23,339
Contractor and consultancy costs	3,443	1,572
– City planning	132	160
– Corporate planning	134	134
– Domestic waste management	87	65
– Heritage advice	105	150
– Strategic asset management	163	381
Auditors remuneration <sup>2</sup>	68	58
<b>Legal expenses:</b>		
– Legal expenses: planning and development	124	142
– Legal expenses: debt recovery (reimbursable by debtor)	317	210
– Legal expenses: investigation costs	357	881
– Legal expenses: other	999	521
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	5	18
Contribution to Blue Mountains Economic Enterprise	393	338
<b>Total materials and contracts</b>	<b>30,431</b>	<b>27,969</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>30,431</b>	<b>27,969</b>

**Accounting policy for operating leases**

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

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

Other	5	18
	<b>5</b>	<b>18</b>

**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	68	58
	<b>68</b>	<b>58</b>

**Remuneration for audit and other assurance services**

**Total Auditor-General remuneration**

	68	58
	<b>68</b>	<b>58</b>

<b>Total Auditor remuneration</b>	<b>68</b>	<b>58</b>
	<b>68</b>	<b>58</b>

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

**Note 4. Expenses from continuing operations (continued)**

	Notes	2019 \$ '000	2018 \$ '000
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,635	1,494
Office equipment		435	461
Furniture and fittings		667	671
Land improvements (depreciable)		–	69
<b>Infrastructure:</b>			
– Buildings – non-specialised		1,616	941
– Buildings – specialised		945	594
– Other structures		1,729	1,377
– Roads		8,860	7,268
– Bridges		65	152
– Footpaths		1,122	680
– Stormwater drainage		1,304	1,031
– Swimming pools		126	466
<b>Other assets:</b>			
– Heritage collections		6	6
– Library books		319	289
– Other		17	31
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	10,13	296	374
<b>Total gross depreciation and amortisation costs</b>		<b>19,142</b>	<b>15,904</b>
Total depreciation and amortisation costs		<b>19,142</b>	<b>15,904</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Revaluation decrement – Non-current assets 'held for sale'		–	79
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>79</b>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	79
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>19,142</b>	<b>15,983</b>

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

**Depreciation and amortisation**

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

Land is not depreciated.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 4. Expenses from continuing operations (continued)

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.

	2019 \$ '000	2018 \$ '000
<b>(e) Other expenses</b>		
Advertising	487	452
Asbestos Management	1,823	7,485
Bad and doubtful debts	44	25
Child care parent fees	1,111	1,054
Contributions/levies to other levels of government		
– Department of Planning levy	81	79
– NSW Fire and Rescue levy	1,116	1,125
– NSW rural fire service levy	919	947
– State emergency service	107	129
– Waste levy	3,441	3,453
Councillor expenses – mayoral fee	38	37
Councillor expenses – councillors' fees	229	223
Councillors' expenses (incl. mayor) – other (excluding fees above)	33	37
Donations, contributions and assistance to other organisations (Section 356)		
– Blue Mountains tourism	81	157
– Donations, contributions and assistance	190	242
Electricity and heating	1,199	1,302
Fees and charges	823	886
Gas	360	368
Insurance	1,018	916
Other services	26	10
Postage	84	86
Street lighting	1,201	1,147
Subscriptions and publications	479	459
Telephone and communications	428	431
Valuation fees	241	236
Water rates	453	547
<b>Total other expenses</b>	<b>16,012</b>	<b>21,833</b>
<b>TOTAL OTHER EXPENSES</b>	<b>16,012</b>	<b>21,833</b>

#### Accounting policy for other expenses

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

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

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

	Notes	2019 \$ '000	2018 \$ '000
<b>Property (excl. investment property)</b>			
Less: carrying amount of property assets sold/written off		–	(103)
<b>Net gain/(loss) on disposal</b>		–	(103)
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		1,134	1,041
Less: carrying amount of plant and equipment assets sold/written off		(1,023)	(938)
<b>Net gain/(loss) on disposal</b>		111	103
<b>Infrastructure</b>	10		
Less: carrying amount of infrastructure assets sold/written off		(223)	–
<b>Net gain/(loss) on disposal</b>		(223)	–
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		27,000	30,000
Less: carrying amount of investments sold/redeemed/matured		(27,000)	(30,000)
<b>Net gain/(loss) on disposal</b>		–	–
<b>Non-current assets classified as 'held for sale'</b>	9		
Proceeds from disposal – non-current assets 'held for sale'		31	–
Less: carrying amount of 'held for sale' assets sold/written off		(10)	–
<b>Net gain/(loss) on disposal</b>		21	–
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		(91)	–

**Accounting policy for disposal of assets**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(a). Cash and cash equivalent assets

	2019 \$ '000	2018 \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	346	657
Cash-equivalent assets		
– Deposits at call	6,302	6,039
<b>Total cash and cash equivalents</b>	<b>6,648</b>	<b>6,696</b>

#### Accounting policy for cash and cash equivalents

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

### Note 6(b). Investments

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Investments</b>				
'Financial assets at amortised cost' / 'held to maturity' (2019)	23,000	1,000	22,000	3,000
<b>Total Investments</b>	<b>23,000</b>	<b>1,000</b>	<b>22,000</b>	<b>3,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>				
	29,648	1,000	28,696	3,000
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	23,000	1,000	22,000	3,000
<b>Total</b>	<b>23,000</b>	<b>1,000</b>	<b>22,000</b>	<b>3,000</b>

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

#### Accounting policy for investments

##### Accounting policy under AASB 9 – applicable from 1 July 2018

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

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

#### Financial assets

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

#### Classification

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

#### Financial assets through profit or loss

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

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

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

### Accounting policy under AASB 139 – applicable for 2018 comparatives only

#### Classification

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

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

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

#### (b) Held to maturity investments

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

#### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included Receivables (Note 7) and in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

#### (d) Available for sale financial assets

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

#### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at

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

### Note 6(b). Investments (continued)

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fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

#### **Impairment of financial assets**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### **Impairment of available for sale investments**

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

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

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
Total cash, cash equivalents and investments	<b>29,648</b>	<b>1,000</b>	<b>28,696</b>	<b>3,000</b>
<b>attributable to:</b>				
External restrictions	10,051	1,000	5,658	3,000
Internal restrictions	17,984	–	18,440	–
Unrestricted	1,613	–	4,598	–
	<b>29,648</b>	<b>1,000</b>	<b>28,696</b>	<b>3,000</b>
			<b>2019 \$ '000</b>	<b>2018 \$ '000</b>
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general			–	4
<b>External restrictions – included in liabilities</b>			–	4
<b>External restrictions – other</b>				
Developer contributions – general	3,593		3,059	
RMS contributions	34		54	
Specific purpose unexpended grants	2,541		1,576	
Domestic waste management	4,751		3,701	
Other special levies	82		204	
Other contributions	50		60	
<b>External restrictions – other</b>	<b>11,051</b>		<b>8,654</b>	
<b>Total external restrictions</b>	<b>11,051</b>		<b>8,658</b>	

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

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

	2019 \$ '000	2018 \$ '000
<b>Internal restrictions</b>		
Plant and vehicle replacement	2,329	2,164
Employees leave entitlement	2,373	2,373
Carry over works	2,383	557
Corporate contingencies	–	6
Debt reduction	750	–
Elections	324	214
Financial assistance grant prepayment	4,485	4,484
Hazard reduction subsidy	235	235
I.T reserves	817	910
Local committees	499	441
Pay and display – Echo Point	1,778	1,696
Property investment	3,856	2,806
Regional strategic alliance	202	432
Sports field fees	363	292
Streamline land use applications	–	110
Tip improvement	(5,391)	(1,631)
Trust fund bank account	215	211
Waste management carbon works	486	525
Workers compensation insurance	2,000	2,001
Other	280	614
<b>Total internal restrictions</b>	<b>17,984</b>	<b>18,440</b>
<b>TOTAL RESTRICTIONS</b>	<b>29,035</b>	<b>27,098</b>

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

**Note 7. Receivables**

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Purpose</b>				
Rates and annual charges	3,669	209	2,497	202
Interest and extra charges	323	38	369	38
Accrued revenues				
– Interest on investments	145	–	179	–
– Other income accruals	486	–	636	–
Grant debtors	899	–	40	–
Licensing debtors	56	–	49	–
Net GST receivable	628	–	878	–
Rent debtors	1	–	1	–
Restoration debtors	107	–	86	–
Rural fire service	35	–	88	–
Cemetery debtors	80	–	–	–
Tip fee debtors	262	–	215	–
Contribution debtors	96	–	–	–
Other debtors	247	–	674	–
<b>Total</b>	<b>7,034</b>	<b>247</b>	<b>5,712</b>	<b>240</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	–	(209)	–	(202)
Interest and extra charges	–	(38)	–	(38)
Other debtors	(106)	–	(97)	–
<b>Total provision for impairment – receivables</b>	<b>(106)</b>	<b>(247)</b>	<b>(97)</b>	<b>(240)</b>
<b>TOTAL NET RECEIVABLES</b>	<b>6,928</b>	<b>–</b>	<b>5,615</b>	<b>–</b>
<b>Externally restricted receivables</b>				
Domestic waste management	660	–	495	–
Other				
Emergency Services Special Rate	112	–	87	–
<b>Total external restrictions</b>	<b>772</b>	<b>–</b>	<b>582</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>6,156</b>	<b>–</b>	<b>5,033</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>6,928</b>	<b>–</b>	<b>5,615</b>	<b>–</b>
			2019 \$ '000	2018 \$ '000
<b>Movement in provision for impairment of receivables</b>				
Balance at the beginning of the year (calculated in accordance with AASB 139)			337	318
+ new provisions recognised during the year			16	19
<b>Balance at the end of the period</b>			<b>353</b>	<b>337</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

##### Accounting policy under AASB 9 applicable from 1 July 2018

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

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

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

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

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

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

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

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

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

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

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

##### Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Rates and annual charges outstanding are secured against the property.

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

**Note 8. Inventories and other assets**

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
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**(a) Inventories**

**(i) Inventories at cost**

Stores and materials	182	—	183	—
Trading stock	301	—	251	—
<b>Total inventories at cost</b>	<b>483</b>	<b>—</b>	<b>434</b>	<b>—</b>
<b>TOTAL INVENTORIES</b>	<b>483</b>	<b>—</b>	<b>434</b>	<b>—</b>

**(b) Other assets**

Prepayments	496	—	622	—
<b>TOTAL OTHER ASSETS</b>	<b>496</b>	<b>—</b>	<b>622</b>	<b>—</b>

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Total externally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total internally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total unrestricted assets</b>	<b>979</b>	<b>—</b>	<b>1,056</b>	<b>—</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>979</b>	<b>—</b>	<b>1,056</b>	<b>—</b>

**Accounting policy for inventories and other assets**

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

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

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

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

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

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

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

**(i) Non-current assets and disposal group assets**

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Non-current assets 'held for sale'</b>				
Land	669	–	679	–
Buildings	176	–	191	–
<b>Total non-current assets 'held for sale'</b>	<b>845</b>	<b>–</b>	<b>870</b>	<b>–</b>
<b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</b>	<b>845</b>	<b>–</b>	<b>870</b>	<b>–</b>

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

	2019 Assets 'held for sale' \$ '000	2018 Assets 'held for sale' \$ '000
<b>Opening balance</b>	870	1,096
Less: carrying value of assets/operations sold	(10)	–
<b>Balance still unsold after 12 months:</b>	<b>860</b>	<b>1,096</b>
Less: assets no longer classified as 'held for sale'	–	(212)
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	–	10
<u>Less impairment losses:</u>		
– Assets 'held for sale' (losses on reclassification)	(15)	–
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>845</b>	<b>870</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount \$'000	Accumulated depreciation \$'000	Net carrying amount \$'000	Additions renewals \$'000	Additions new assets \$'000	Carrying value of disposals \$'000	Depreciation expense \$'000	WIP transfers \$'000	Adjustments and transfers \$'000	Revaluation decrements to equity (ARR) \$'000	Revaluation increments to equity (ARR) \$'000	Gross carrying amount \$'000	Accumulated depreciation \$'000	Net carrying amount \$'000
Capital work in progress	4,995	–	4,995	1,008	849	–	–	(3,155)	–	–	–	3,697	–	3,697
Plant and equipment	39,689	(26,364)	13,325	2,677	930	(996)	(1,635)	–	2	–	–	40,444	(26,141)	14,303
Office equipment	5,760	(4,730)	1,030	499	58	(27)	(435)	–	–	–	–	6,077	(4,953)	1,124
Furniture and fittings	7,867	(4,296)	3,571	206	–	–	(667)	1	–	–	–	8,075	(4,963)	3,112
<b>Land:</b>														
– Operational land	87,366	–	87,366	–	–	–	–	–	–	(4,718)	–	82,648	–	82,648
– Community land	85,674	–	85,674	–	466	–	–	–	–	–	16,755	102,895	–	102,895
– Land under roads (post 30/6/08)	751	–	751	–	–	–	–	–	–	–	–	751	–	751
Land improvements – non-depreciable	7,864	–	7,864	54	18	–	–	–	21,762	–	–	29,698	–	29,698
<b>Infrastructure:</b>														
– Buildings – non-specialised	91,314	(32,660)	58,654	422	1,368	(23)	(1,616)	978	–	–	–	94,033	(34,236)	59,797
– Buildings – specialised	38,227	(8,062)	30,165	1,026	1,101	(119)	(945)	545	17,722	–	–	63,830	(14,335)	49,495
– Other structures	78,524	(30,252)	48,272	180	630	(6)	(1,729)	1,299	(21,528)	–	–	57,506	(30,388)	27,118
– Roads	652,368	(149,816)	502,552	2,859	350	(15)	(8,860)	74	1	(1,230)	–	654,132	(158,401)	495,731
– Bridges	8,789	(2,229)	6,560	160	–	(41)	(65)	104	–	–	–	9,006	(2,288)	6,718
– Footpaths	41,744	(17,020)	24,724	48	225	–	(1,122)	–	–	–	–	42,017	(18,142)	23,875
– Stormwater drainage	104,320	(16,053)	88,267	–	–	(19)	(1,304)	154	(2,574)	–	–	101,119	(16,594)	84,525
– Swimming pools	23,160	(5,438)	17,722	133	26	–	(126)	–	(13,529)	–	–	6,933	(2,707)	4,226
<b>Other assets:</b>														
– Heritage collections	340	(37)	303	–	–	–	(6)	–	–	–	–	340	(43)	297
– Library books	2,739	(1,904)	835	–	333	–	(319)	–	–	–	–	3,071	(2,223)	848
– Other	359	(174)	185	–	–	–	(17)	–	(168)	–	–	–	–	–
<b>Reinstatement, rehabilitation and restoration assets (refer Note 13):</b>														
– Tip assets	9,904	(4,949)	4,955	–	–	(94)	(296)	–	(1,688)	–	–	3,056	(179)	2,877
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,291,754</b>	<b>(303,984)</b>	<b>987,770</b>	<b>9,272</b>	<b>6,354</b>	<b>(1,340)</b>	<b>(19,142)</b>	<b>–</b>	<b>–</b>	<b>(5,948)</b>	<b>16,755</b>	<b>1,309,328</b>	<b>(315,593)</b>	<b>993,735</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

	Asset movements during the reporting period										as at 30/6/2018						
	as at 30/6/2017																
	Gross carrying amount \$'000	Accumulated depreciation \$'000	Net carrying amount \$'000	Additions renewals \$'000	Additions new assets \$'000	Carrying value of disposals \$'000	Depreciation expense \$'000	Impairment loss / revaluation decrements (recognised in P/L) \$'000	WIP transfers \$'000	Adjustments and transfers \$'000	Tfrs from/(to) 'held for sale' category \$'000	Tfrs from/(to) investment properties \$'000	Revaluation decrements to equity (ARR) \$'000	Revaluation increments to equity (ARR) \$'000	Gross carrying amount \$'000	Accumulated depreciation \$'000	Net carrying amount \$'000
Capital work in progress	4,285	—	4,285	3,553	—	—	—	(2,843)	—	—	—	—	—	4,995	—	4,995	
Plant and equipment	42,530	(29,909)	12,621	2,422	1,377	(871)	(1,494)	—	99	(830)	—	—	—	39,689	(26,364)	13,325	
Office equipment	6,143	(4,984)	1,159	—	373	(41)	(461)	—	—	—	—	—	—	5,760	(4,730)	1,030	
Furniture and fittings	8,325	(4,058)	4,267	—	—	(25)	(671)	—	—	—	—	—	—	7,867	(4,296)	3,571	
<b>Land:</b>																	
– Operational land	35,852	—	35,852	—	—	—	—	—	1,428	190	790	—	49,106	87,366	—	87,366	
– Community land	81,378	—	81,378	112	—	—	—	—	—	1,582	—	1,945	—	657	85,674	—	85,674
– Land under roads (post 30/6/08)	659	—	659	—	—	—	—	—	—	92	—	—	—	751	—	751	
Land improvements – non-depreciable	3,606	—	3,606	94	—	—	—	—	35	10,801	—	—	(6,672)	—	7,864	—	7,864
Land improvements – depreciable	2,195	(1,628)	567	—	—	—	(69)	—	—	(443)	—	—	(55)	—	—	—	—
<b>Infrastructure:</b>																	
– Buildings – non-specialised	76,534	(39,863)	36,671	140	—	(91)	(941)	—	950	521	24	2,570	—	18,810	91,314	(32,660)	58,654
– Buildings – specialised	47,150	(15,013)	32,137	109	—	—	(594)	—	478	—	(12)	—	(1,953)	—	38,227	(8,062)	30,165
– Other structures	109,296	(41,889)	67,407	838	545	(6)	(1,377)	—	266	(13,449)	—	—	(5,952)	—	78,524	(30,252)	48,272
– Roads	567,261	(219,753)	347,508	—	4,359	(6)	(7,268)	—	329	560	—	—	—	157,070	652,368	(149,816)	502,552
– Bridges	8,728	(7,152)	1,576	—	—	—	(152)	—	87	—	—	—	—	5,049	8,789	(2,229)	6,560
– Footpaths	40,875	(19,999)	20,876	—	—	—	(680)	—	414	(453)	—	—	—	4,567	41,744	(17,020)	24,724
– Stormwater drainage	102,383	(29,488)	72,895	288	—	—	(1,031)	—	45	(21)	—	—	—	16,091	104,320	(16,053)	88,267
– Swimming pools	26,724	(10,831)	15,893	139	—	—	(466)	—	—	69	—	—	—	2,087	23,160	(5,438)	17,722
– Other infrastructure	—	—	—	—	—	—	—	(79)	—	—	—	—	—	—	—	—	—
<b>Other assets:</b>																	
– Heritage collections	259	(31)	228	4	—	—	(6)	—	77	—	—	—	—	—	340	(37)	303
– Library books	2,371	(1,615)	756	—	368	—	(289)	—	—	—	—	—	—	—	2,739	(1,904)	835
– Other	189	(180)	9	—	—	—	(31)	—	63	143	—	—	—	—	359	(174)	185
<b>Reinstatement, rehabilitation and restoration assets (refer Note 13):</b>																	
– Tip assets	6,107	(4,576)	1,531	—	3,798	—	(374)	—	—	—	—	—	—	—	9,904	(4,949)	4,955
<b>Total infrastructure, property, plant and equipment</b>	<b>1,172,850</b>	<b>(430,969)</b>	<b>741,881</b>	<b>7,699</b>	<b>10,820</b>	<b>(1,040)</b>	<b>(15,904)</b>	<b>(79)</b>	<b>—</b>	<b>202</b>	<b>5,305</b>	<b>(14,632)</b>	<b>253,437</b>	<b>1,291,754</b>	<b>(303,984)</b>	<b>987,770</b>	

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5	Playground equipment	25
Office furniture	10	Benches, seats etc.	10 to 25
Computer equipment	5		
Vehicles	5	<b>Other Assets</b>	
Heavy plant/road making equipment	5	Heritage Collections	50
Other plant and equipment	5	Library Books	5 to 8
		Other Assets	10 to 30
<b>Other Infrastructure assets</b>		<b>Stormwater assets</b>	
Bulk Earthworks	30 to 100	Pits	80 to 110
Swimming Pools	40 to 60	Pipes and Culverts	
Buildings	40 to 100	- concrete/ceramic	100 to 130
Land Improvements - depreciable	20	- steel	20 to 80
		- PVC	80
<b>Transportation assets</b>		<b>Transportation assets</b>	
Sealed roads: surface		Road subgrade (Formation)	non-depreciable
- spray seal	18	Kerb and Gutter	
- AC 10 and AC 14	35	- asphalt	80
- concrete	100	- concrete	60 to 100
- carparks	6 to 26	Footpath	
Sealed Roads : base		- asphalt	15 to 25
- DGB 20	120	- concrete	40 to 65
Sealed Roads : sub-base	120	- gravel	15 to 20
- DGB40	150	- paved	25 to 40
Unsealed Roads		Shoulder	50
- base	25	Bridge - Vehicular	100 to 200
- earthworks	8	Bridge - Pedestrian	60 to 200
		Bridge - Other	60 to 200

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

#### Land under roads

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

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

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

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

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

#### **Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

#### **Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise Rural Fire Service assets including buildings, plant and vehicles.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Investment property

	2019 \$ '000	2018 \$ '000
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	<b>6,372</b>	<b>4,707</b>
<b>Reconciliation of annual movement:</b>		
<b>Opening balance</b>	<b>4,707</b>	<b>10,012</b>
– Net gain/(loss) from fair value adjustments	1,665	–
– Transfers (to) owner occupied (Note 10)	–	(5,305)
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>6,372</b>	<b>4,707</b>

### (b) Valuation basis

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

The 2019 revaluations were based on independent assessments made by: Lloyds Property Valuations Pty Ltd

### (c) Contractual obligations at reporting date

Refer to Note 17 for disclosures relating to any capital and service obligations that have been contracted.

### (d) Leasing arrangements – Council as lessor

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

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

Within 1 year	453	457
Later than 1 year but less than 5 years	697	915
Later than 5 years	427	466
<b>Total minimum lease payments receivable</b>		
	<b>1,577</b>	<b>1,838</b>

Council Investment Properties are leased on terms from 6 months to 3 years, with all rental payments made monthly.

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

#### Rental income from investment property:

– Minimum lease payments	2,010	1,912
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#### Direct operating expenses on investment property:

– that generated rental income	(1,247)	(1,026)
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#### Net revenue contribution from investment property

<b>763</b>	<b>886</b>
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plus:

<b>Fair value movement for year</b>	<b>1,665</b>	<b>–</b>
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#### Total income attributable to investment property

<b>2,428</b>	<b>886</b>
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#### Accounting policy for investment property

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

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

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

**Note 12. Payables and borrowings**

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	4,309	–	6,336	–
Accrued expenses:				
– Borrowings	271	–	310	–
– Salaries and wages	93	–	45	–
– Other expenditure accruals	786	–	1,964	–
Security bonds, deposits and retentions	428	–	760	–
Other	422	–	437	–
<b>Total payables</b>	<b>6,309</b>	<b>–</b>	<b>9,852</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	1,198	–	182	–
<b>Total income received in advance</b>	<b>1,198</b>	<b>–</b>	<b>182</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	4,153	24,308	4,675	28,635
<b>Total borrowings</b>	<b>4,153</b>	<b>24,308</b>	<b>4,675</b>	<b>28,635</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>11,660</b>	<b>24,308</b>	<b>14,709</b>	<b>28,635</b>

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

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

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	812	3,957	617	4,914
Payables and borrowings relating to externally restricted assets	812	3,957	617	4,914
<b>Total payables and borrowings relating to restricted assets</b>	<b>812</b>	<b>3,957</b>	<b>617</b>	<b>4,914</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>10,848</b>	<b>20,351</b>	<b>14,092</b>	<b>23,721</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>11,660</b>	<b>24,308</b>	<b>14,709</b>	<b>28,635</b>

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

**Note 12. Payables and borrowings (continued)**

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

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

Payables – security bonds, deposits and retentions	136	481
<b>Total payables and borrowings</b>	<b>136</b>	<b>481</b>

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

	as at 30/6/2018					as at 30/6/2019
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	
Loans – secured	33,310	(4,849)	–	–	–	28,461
<b>TOTAL</b>	<b>33,310</b>	<b>(4,849)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28,461</b>

	as at 30/6/2017					as at 30/6/2018
	Opening Balance \$ '000	Cash flows \$ '000	Non-cash acquisitions \$ '000	Non-cash fair value changes \$ '000	Other non-cash movements \$ '000	
Loans – secured	38,798	(5,488)	–	–	–	33,310
<b>TOTAL</b>	<b>38,798</b>	<b>(5,488)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>33,310</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Payables and borrowings (continued)

	2019 \$ '000	2018 \$ '000
<b>(d) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>1</sup>	2,000	2,000
Credit cards/purchase cards	191	193
Other	1,785	1,785
<b>Total financing arrangements</b>	<b>3,976</b>	<b>3,978</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	–	11
– Borrowings	28,461	33,310
<b>Total drawn financing arrangements</b>	<b>28,461</b>	<b>33,321</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	191	182
– Other	(26,676)	(31,525)
<b>Total undrawn financing arrangements</b>	<b>(24,485)</b>	<b>(29,343)</b>

#### Additional financing arrangements information

##### Breaches and defaults

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

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

##### Accounting policy for payables and borrowings

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

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

##### Payables

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

##### Borrowings

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

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

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

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

**Note 13. Provisions**

	2019 Current \$ '000	2019 Non-current \$ '000	2018 Current \$ '000	2018 Non-current \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	4,360	–	3,672	–
Long service leave	9,815	517	8,135	428
<b>Sub-total – aggregate employee benefits</b>	<b>14,175</b>	<b>517</b>	<b>11,807</b>	<b>428</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	282	3,143	774	3,142
<b>Sub-total – asset remediation/restoration</b>	<b>282</b>	<b>3,143</b>	<b>774</b>	<b>3,142</b>
<b>Other provisions</b>				
Insurance losses	31	–	16	–
<b>Sub-total – other provisions</b>	<b>31</b>	<b>–</b>	<b>16</b>	<b>–</b>
<b>TOTAL PROVISIONS</b>	<b>14,488</b>	<b>3,660</b>	<b>12,597</b>	<b>3,570</b>

**(a) Provisions relating to restricted assets**

<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>14,488</b>	<b>3,660</b>	<b>12,597</b>	<b>3,570</b>
<b>TOTAL PROVISIONS</b>	<b>14,488</b>	<b>3,660</b>	<b>12,597</b>	<b>3,570</b>

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

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

Provisions – employees benefits	8,844	7,101
	<b>8,844</b>	<b>7,101</b>

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

**Note 13. Provisions (continued)**

**(c) Description of and movements in provisions**

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
<b>2019</b>			
At beginning of year	3,672	8,563	12,235
Other	688	1,769	2,457
<b>Total ELE provisions at end of period</b>	<b>4,360</b>	<b>10,332</b>	<b>14,692</b>
<b>2018</b>			
At beginning of year	3,519	9,005	12,524
Other	153	(442)	(289)
<b>Total ELE provisions at end of period</b>	<b>3,672</b>	<b>8,563</b>	<b>12,235</b>
 <b>Other provisions</b>			
	Self insurance \$ '000	Asset remediation \$ '000	Total \$ '000
<b>2019</b>			
At beginning of year	16	3,916	3,932
Other	15	(491)	(476)
<b>Total other provisions at end of period</b>	<b>31</b>	<b>3,425</b>	<b>3,456</b>
<b>2018</b>			
At beginning of year	44	1,203	1,247
Additional provisions	–	2,713	2,713
Amounts used (payments)	(28)	–	(28)
<b>Total other provisions at end of period</b>	<b>16</b>	<b>3,916</b>	<b>3,932</b>

**Nature and purpose of non-employee benefit provisions**

**Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Council tip.

**Self-insurance**

Council self-insures for various risks, including public liability and professional indemnity.

**Accounting policy for provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

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#### Employee benefits

##### Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

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

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

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

#### Restoration

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

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

#### Rehabilitation

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

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves

**Notes to the Financial Statements**  
for the year ended 30 June 2019**Note 13. Provisions (continued)**

or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

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

**Self-insurance**

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

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

### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (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.

##### **Fair value through other comprehensive income reserve (FVOCI)**

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

##### **Available for sale investments revaluation reserve (2018 only)**

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

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

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

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

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

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

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

##### **Classification of financial assets**

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

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

##### **Measurement of equity instruments**

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

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

##### **Impairment of financial assets**

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

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

**Note 15. Statement of cash flows - additional information**

	Notes	2019 \$ '000	2018 \$ '000
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	6,648	6,696
<b>Balance as per the Statement of Cash Flows</b>		<b>6,648</b>	<b>6,696</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>2,781</b>	<b>(1,760)</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		19,142	15,904
Net (gains) on disposal of assets		91	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		(1,665)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		(400)	(370)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(1,329)	(673)
Increase in provision for doubtful debts		16	19
Decrease/(increase) in inventories		(49)	87
Decrease in other assets		126	(218)
Increase/(decrease) in payables		(2,027)	1,928
(decrease) in accrued interest payable		(39)	(46)
Increase/(decrease) in other accrued expenses payables		(1,130)	(326)
Increase/(decrease) in other liabilities		669	(159)
(decrease) in employee leave entitlements		2,457	(289)
Increase/(decrease) in other provisions		(476)	2,685
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>18,167</b>	<b>16,782</b>

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

**Note 16. Interests in other entities**

	<b>Council's share of net income</b>		<b>Council's share of net assets</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Joint ventures	400	370	4,091	3,691
<b>Total</b>	<b>400</b>	<b>370</b>	<b>4,091</b>	<b>3,691</b>

**Joint arrangements**

**(a) Net carrying amounts – Council's share**

	<b>Nature of relationship</b>	<b>Measurement method</b>	<b>2019</b>	<b>2018</b>
			<b>\$ '000</b>	<b>\$ '000</b>
CivicRisk West	Joint venture	Equity method	3,738	3,277
CivicRisk Mutual	Joint venture	Equity method	353	414
<b>Total carrying amounts – material joint ventures</b>			<b>4,091</b>	<b>3,691</b>

**(b) Details**

	<b>Principal activity</b>	<b>Place of business</b>
CivicRisk West	Public Liability Insurance Pool	Australia
CivicRisk Mutual	Industrial Special & Vehicle Insurance	Australia

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

**Note 16. Interests in other entities (continued)**

	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
<b>(c) Relevant interests and fair values</b>						
CivicRisk West	7.9%	8.0%	7.9%	8.0%	9.1%	10.0%
CivicRisk Mutual	5.1%	4.0%	5.1%	5.0%	5.9%	6.0%
<b>(d) Summarised financial information for joint ventures</b>						
	CivicRisk West		CivicRisk Mutual			
	2019 \$ '000	2018 \$ '000	2019 \$ '000	2018 \$ '000		
<b>Statement of financial position</b>						
<b>Current assets</b>						
Cash and cash equivalents	2,961	3,022	1,813	1,158		
Other current assets	27,419	19,442	7,215	5,759		
<b>Non-current assets</b>	36,522	41,740	5,368	5,989		
<b>Current liabilities</b>						
Current financial liabilities (excluding trade and other payables and provisions)	6,657	6,111	4,827	2,690		
Other current liabilities	740	720	346	299		
<b>Non-current liabilities</b>						
Non-current financial liabilities (excluding trade and other payables and provisions)	12,116	15,612	2,279	1,448		
<b>Net assets</b>	47,389	41,761	6,944	8,469		
<b>Reconciliation of the carrying amount</b>						
Opening net assets (1 July)	41,761	37,977	8,469	6,490		
Profit/(loss) for the period	–	5,912	–	1,979		
Other adjustments to equity	–	(2,128)	–	–		
<b>Closing net assets</b>	41,761	41,761	8,469	8,469		
<b>Council's share of net assets (%)</b>	7.9%	7.9%	5.1%	4.9%		
<b>Council's share of net assets (\$)</b>	3,744	3,278	354	414		
<b>Statement of comprehensive income</b>						
Interest expense	(18)	(17)	–	–		
Income	6,295	6,076	11,320	9,445		
Interest income	3,672	3,261	448	419		
Other expenses	(4,322)	(3,408)	(13,291)	(7,886)		
<b>Profit/(loss) from continuing operations</b>	5,627	5,912	(1,523)	1,978		
<b>Profit/(loss) for the period</b>	5,627	5,912	(1,523)	1,978		
<b>Total comprehensive income</b>	5,627	5,912	(1,523)	1,978		
<b>Share of income – Council (%)</b>	8.2%	4.8%	4.0%	4.4%		
<b>Profit/(loss) – Council (\$)</b>	461	–	(61)	87		
<b>Total comprehensive income – Council (\$)</b>	461	283	(61)	87		
<b>Dividends received by Council</b>	–	179	–	–		

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

**Note 17. Commitments**

	2019 \$ '000	2018 \$ '000
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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**

Southern Scenic Escarpment Program	60	—
Southern Scenic Escarpment Program – Echo Point VIC	50	47
Southern Scenic Escarpment Program – Katoomba Reids Plateau	—	53
Asbestos works 16-20 Cambridge St Valley Heights	5	70
Wentworth Falls lake upgrade	11	164
South St depot truck washbay roof	—	133
Glenbrook VIC upgrade	7	510
Lawson swim centre renewal	—	115
Blaxland RFS station	—	879
Lawson RFS station	48	773
Off-road shared path Penrith & Lower Blue Mountains	17	88
Bullaburra to Linden flood study	76	110
Other	2,381	—
<b>Total commitments</b>	<b>2,655</b>	<b>2,942</b>

**These expenditures are payable as follows:**

Within the next year	2,655	2,942
<b>Total payable</b>	<b>2,655</b>	<b>2,942</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	947	185
Future grants and contributions	1,486	2,624
Internally restricted reserves	222	133
<b>Total sources of funding</b>	<b>2,655</b>	<b>2,942</b>

**Details of capital commitments**

Purchase orders raised for Capital Commitments forming part of the Capital Works Program for 2020.

**(b) Operating lease commitments (non-cancellable)**

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

Within the next year	5	18
<b>Total non-cancellable operating lease commitments</b>	<b>5</b>	<b>18</b>

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

Library Equipment

**Conditions relating to finance and operating leases:**

– All finance agreements are secured only against the leased asset.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefits 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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member Councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

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

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

*Description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.*

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 for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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

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

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

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

The plan is a defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of the superannuation expenses at Note 4 (a) for the year ending 30 June 2019 was \$739,279.78.

The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

Council's expected contributions to the Fund by the next annual reporting period are \$789,082.36

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

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

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

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

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

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

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.

#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

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

### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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

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

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

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

#### (iii) Workers Compensation

Council has determined to partially self insure for workers compensation. Council maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

It is a requirement of the Retro-Paid-Loss Workers Compensation Model (Burning Costs Model) that the Council provides a Security Deposit, equal to the maximum premium less premium paid to date. The Security Deposit is provided via the Commonwealth Bank of Australia and is in favour of icare Workers Insurance. The Security Deposit is \$8.543M in the 2018/2019 policy year. The Security Deposit is amended each year of the policy set out in those plans.

#### (iv) Legal Matters

Council has a number of open legal matters which may result in judgements against Council. It is anticipated that any costs awarded against the Council will not be material and/or that the risks of a judgement being made against Council have been determined to be minimal.

### ASSETS NOT RECOGNISED

#### (i) Land under roads

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

#### (ii) Infringement notices/fines

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Financial risk management

#### Risk management

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

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

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

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

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

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

	Carrying value 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	6,648	6,696	6,648	6,696
Receivables	6,928	5,615	6,928	5,615
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	24,000	25,000	24,000	25,000
<b>Total financial assets</b>	<b>37,576</b>	<b>37,311</b>	<b>37,576</b>	<b>37,311</b>
<b>Financial liabilities</b>				
Payables	6,309	9,852	6,309	9,852
Loans/advances	28,461	33,310	28,461	33,310
<b>Total financial liabilities</b>	<b>34,770</b>	<b>43,162</b>	<b>34,770</b>	<b>43,162</b>

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the instruments held are:

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Financial risk management (continued)

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2019</b>				
Possible impact of a 1% movement in interest rates	91	91	(91)	(91)
<b>2018</b>				
Possible impact of a 1% movement in interest rates	310	310	(310)	(310)

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Financial risk management (continued)

#### (b) Credit risk

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

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

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

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

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.

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
<b>2019</b>						
Gross carrying amount	(323)	3,992	209	–	–	3,878
<b>2018</b>						
Gross carrying amount	–	2,497	202	–	–	2,699

##### Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
<b>2019</b>						
Gross carrying amount	1,493	1,097	379	25	409	3,403
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–
<b>2018</b>						
Gross carrying amount	2,487	197	42	303	224	3,253
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Financial risk management (continued)

#### (c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity	payable in:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
<b>2019</b>							
Trade/other payables	0.00%	428	5,881	–	–	6,309	6,309
Loans and advances	6.57%	–	7,027	17,532	9,281	33,840	28,461
<b>Total financial liabilities</b>		<b>428</b>	<b>12,908</b>	<b>17,532</b>	<b>9,281</b>	<b>40,149</b>	<b>34,770</b>
<b>2018</b>							
Trade/other payables	0.00%	760	9,092	–	–	9,852	9,852
Loans and advances	6.39%	–	9,235	21,915	11,924	43,074	33,310
<b>Total financial liabilities</b>		<b>760</b>	<b>18,327</b>	<b>21,915</b>	<b>11,924</b>	<b>52,926</b>	<b>43,162</b>

#### Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Material budget variations

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

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

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

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

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

	2019 Budget	2019 Actual	2019 Variance		
\$ '000			-----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>79,107</b>	<b>80,217</b>	<b>1,110</b>	<b>1%</b>	<b>F</b>
<b>User charges and fees</b>	<b>20,431</b>	<b>16,823</b>	<b>(3,608)</b>	<b>(18)%</b>	<b>U</b>
Lower than projected revenue from a number of areas including Aquatics, development and compliance, and delays in the introduction of paid parking across the LGA.					
<b>Interest and investment revenue</b>	<b>554</b>	<b>887</b>	<b>333</b>	<b>60%</b>	<b>F</b>
Higher total investments and returns than projected.					
<b>Other revenues</b>	<b>3,283</b>	<b>6,220</b>	<b>2,937</b>	<b>89%</b>	<b>F</b>
Higher than expected revenues from road restorations, insurance claims, tourist parks and Springwood Hub.					
<b>Operating grants and contributions</b>	<b>14,187</b>	<b>15,127</b>	<b>940</b>	<b>7%</b>	<b>F</b>
<b>Capital grants and contributions</b>	<b>10,264</b>	<b>6,545</b>	<b>(3,719)</b>	<b>(36)%</b>	<b>U</b>
Council had budgeted to receive \$5M in Capital Grant Funding for the City Deal Program, however only \$300K received.					
<b>Net gains from disposal of assets</b>	<b>262</b>	<b>–</b>	<b>(262)</b>	<b>100%</b>	<b>U</b>
A number of assets were retained longer than initially planned, delaying disposal and returns on sale.					
<b>Fair value increment on investment property</b>	<b>–</b>	<b>1,665</b>	<b>1,665</b>	<b>∞</b>	<b>F</b>
<b>Joint ventures and associates – net profits</b>	<b>–</b>	<b>400</b>	<b>400</b>	<b>∞</b>	<b>F</b>

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

**Note 20. Material budget variations**

\$ '000	2019 Budget	2019 Actual	----- Variance -----	2019
<b>EXPENSES</b>				
Employee benefits and on-costs	57,755	57,410	345	1% F
Borrowing costs	1,961	2,017	(56)	(3%) U
Materials and contracts	25,152	30,431	(5,279)	(21%) U
	Additional expenditure due to Legal Expenses and Consultancies due to on-going investigations.			
Depreciation and amortisation	16,000	19,142	(3,142)	(20%) U
	Additional depreciation as a result of the revaluation of Assets.			
Other expenses	15,812	16,012	(200)	(1%) U
Net losses from disposal of assets	–	91	(91)	∞ U
<b>STATEMENT OF CASH FLOWS</b>				
Net cash provided from (used in) operating activities	27,408	18,167	(9,241)	(34%) U
Net cash provided from (used in) investing activities	(26,158)	(13,366)	12,792	(49%) F
Net cash provided from (used in) financing activities	(4,768)	(4,849)	(81)	2% U

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. 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
- Non-current assets classified as 'held for sale'

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

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Investment property</b>	11					
Investment Properties on Hand		30/06/19	–	–	6,372	6,372
<b>Total investment property</b>			–	–	6,372	6,372
<b>Infrastructure, property, plant and equipment</b>	10					
Operational Land		30/06/19	–	–	82,648	82,648
Community Land		30/06/19	–	–	102,895	102,895
Land under Roads (post 30/6/08)		30/06/16	–	–	751	751
Land Improvements – non depreciable		30/06/18	–	–	29,698	29,698
Buildings – Specialised		30/06/18	–	–	49,495	49,495
Other Structures – Other		30/06/18	–	–	27,118	27,118
Other Structures – Aquatic and Leisure Centres		30/06/18	–	–	4,226	4,226
Roads, Bridges, Footpaths		30/06/18	–	–	526,324	526,324
Stormwater Drainage		30/06/18	–	–	84,525	84,525
Heritage Collections		–	–	297	297	
Library Books		–	–	848	848	
Buildings Non-Specialised		30/06/18	–	–	59,797	59,797
Tip Assets		30/06/16	–	–	–	–
<b>Total infrastructure, property, plant and equipment</b>			–	–	968,622	968,622
<b>Non-current assets classified as 'held for sale'</b>	9					
Operational Land		30/06/17	–	–	669	669
Buildings		30/06/17	–	–	176	176
<b>Total NCA's classified as 'held for sale'</b>			–	–	845	845

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

**Note 21. Fair Value Measurement (continued)**

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Investment property</b>	11					
Investment Properties on Hand		30/06/16	—	—	4,707	4,707
<b>Total investment property</b>			—	—	<b>4,707</b>	<b>4,707</b>
<b>Infrastructure, property, plant and equipment</b>	10					
Operational Land		30/06/18	—	—	87,366	87,366
Community Land		30/06/16	—	—	85,674	85,674
Land under Roads (post 30/6/08)		30/06/16	—	—	751	751
Land Improvements – non depreciable		30/06/18	—	—	7,864	7,864
Buildings – Specialised		30/06/18	—	—	30,165	30,165
Other Structures – Other		30/06/18	—	—	48,272	48,272
Other Structures – Aquatic and Leisure Centres		30/06/18	—	—	17,722	17,722
Roads, Bridges, Footpaths		30/06/18	—	—	533,836	533,836
Stormwater Drainage		30/06/18	—	—	88,267	88,267
Other IPP&E		30/06/14	—	—	185	185
Buildings Non-Specialised		30/06/18	—	—	58,654	58,654
Tip Assets		30/06/16	—	—	4,955	4,955
<b>Total infrastructure, property, plant and equipment</b>			—	—	<b>963,711</b>	<b>963,711</b>
<b>Non-current assets classified as 'held for sale'</b>	9					
Operational Land		30/06/17	—	—	679	679
Buildings		30/06/17	—	—	191	191
<b>Total NCA's classified as 'held for sale'</b>			—	—	<b>870</b>	<b>870</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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

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

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

##### **Investment property**

Council's investment properties comprise land &/or buildings that are principally held for long-term rental yields, capital gains or both. The properties are not occupied by Council.

Investment property is carried at fair value representing open-market value determined by external valuers (last valued by Lloyds Property Valuations). The approach estimated the replacement cost for the building by componentising it into significant parts with different useful lives and taking into account a range of factors.

While buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2), other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such, these assets were classified as having been valued using Level 3 valuation inputs.

The last full revaluation for Council's Investment Properties was dated 30/06/2019. Investment properties are not depreciated. Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income". Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

There has been no change to the way assets are valued in the reporting period.

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

###### **Plant & Equipment, Office Equipment and Furniture & Fittings**

This asset category includes:

Plant & Equipment – e.g. motor vehicles, trucks, mowers, earthmoving equipment

Office Equipment – e.g. computer equipment

Furniture & Fittings – e.g. chairs, desks, cabinets, display systems

These assets are valued at cost in the Council's records and reported at Fair Value in the notes due to the nature of the items. The cost of these assets is based on current invoice prices and contracts, which are based on observable inputs. The remaining useful life and residual value are based on internal decisions using professional judgement, which is unobservable in the market, hence these assets are categorised as Level 3. Valuation techniques remain the same for this reporting period.

###### **Operational Land**

Council's operational land includes all of Council's land classified as Operational Land under the Local Government Act 1993. This asset class was valued by APV Valuers and Asset Management in 2019. Council's operational land was valued using either the Market approach or the Cost approach (for those assets which are not commonly traded). The Market approach uses sales evidence or similar or reference assets, with a value determined after adjusting for difference in factors within the asset and the reference asset. The Cost approach determines the replacement cost of a modern equivalent and then adjusting for the level of consumed future economic benefit and impairment.

This asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way assets are valued in the reporting period.

###### **Community Land**

Council's Community land includes:

Council owned land

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

Council managed land (Crown reserves)

Community Land is valued on the Unimproved Capital Value as provided by the Valuer General and was last valued in 2019.

This asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way assets are valued in the reporting period.

#### Land Under Roads (post 30/6/08)

Council has classified acquisitions for road purposes into three categories as follows

1. Acquired by Council for road purpose, but not yet dedicated as road
2. Acquired for road purpose at cost and dedicated as road
3. Acquired for road purpose at nominal or no cost and dedicated as road

Categories 2 and 3 meet all set criteria and are included in the financial statements as land under roads. As per the OLG Code of Accounting Practice, Land under Roads is measured using the 'Englobo Methodology':

- The average site value (SV) is determined for each Council in dollars per square meters or hectares over the Council area. The SV is "the value of the underlying land assuming that any existing improvements have not been made. It also assumes that the land is not encumbered by any lease, mortgage or other charge" (Australian Property Institute, 2004);
- Less 65% adjustment factor for Englobo value;
- Less 25% adjustment factor for access and carriageway rights and infrastructure (for other users of carriageway reserve and infrastructure);
- This represents a cumulative total 90% discount from the starting average SV;
- Multiply the adjusted (discounted) value (dollar rate per square meter or hectare) by the total road reserve areas (square meter or hectare) in the Council area;
- Equals the value of land under roads in the Council area (Balfour, 2008).

Land Under Roads were last valued in 2016.

Land acquired for greater than a nominal cost (category 3) has been valued at cost. This asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way that these assets are valued in the reporting period.

#### Land Improvements – non depreciable

Assets in this category have been valued at cost.

#### Land Improvements – depreciable

Assets in this category were valued by APV in 2018 using the Cost approach

The valuations are based on a range of inputs, including components, unit rates, overall value, consumption scores and valuation profiles and residual value.

This entire asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way assets are valued in the reporting period.

#### Buildings – (Specialised & Non Specialised)

Buildings including halls, sporting amenities, emergency services buildings, welfare services building etc. were valued by APV in 2018 using either the Market approach or the Cost approach.

The valuations are based on a range of inputs, including components, unit rates, overall value, consumption scores and valuation profiles and residual value.

This asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way assets are valued in the reporting period.

#### Other Structures

This asset category comprises of assets such as Fire Trails, Cultural Physical Assets, Cemeteries, Recreation Facilities and Natural Area Visitor Facilities as well as buildings associated with these assets. All assets were valued using Cost approach based on components, unit rates, overall value, consumption scores and valuation profiles and residual value.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement (continued)

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Assets within this category were valued by APV as part of Council's Land and Building valuation in 2018.

The entire Other Structures asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way assets are valued in the reporting period.

#### Roads

This asset category comprises assets such as sealed and unsealed road surface, base and subgrade, footpaths and cycle ways, kerb & gutter and shoulders, bridges, traffic facilities, bus stops, carparks etc.

Sealed roads were valued by Assetic in 2018. All unsealed roads and other roads assets were valued by APV in 2018.

All roads assets were valued using the Coast approach based on condition, useful lives, unit rates and remaining service potential.

This asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way assets are valued in the reporting period.

#### Stormwater Drainage

This asset category comprises assets such as pits pipes, channels, headwalls etc. These assets were valued for Council by APV in 2018 using the Cost approach based on unit costs, asset condition rating and remaining useful life.

This entire asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. There has been no change to the way assets are valued in the reporting period.

#### Heritage Collections

Heritage collections include artwork.

#### Other Assets

Other Assets includes miscellaneous structures and equipment.

#### Library Books

Library Books comprises assets such as books, journals, magazines, CD's and DVD's.

Heritage Collections, Other Assets and Library Books are reported at fair value in the notes, however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets are based on current invoices and contracts, which are observable inputs, however, the remaining useful life and residual value is based on internal factors which are unobservable in the market making it a Level 3 asset. Valuation techniques remain the same for this reporting period.

#### Tip Remediation Assets

An evaluation of the costs associated with the closure of the Blaxland Waste Management Facility has been performed and a tip remediation provision is adjusted annually. The provision covers the future expenditure of remediating the landfill site.

The key unobservable inputs are the discount factor, timing and any escalation in costs and future environmental issues and as such the asset has been classified as level 3. There has been no change to the valuation process during the reporting period.

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### Swimming Pools (Aquatic and Leisure Centres)

Assets within Swimming Pools (Aquatic and Leisure Centres) were valued by APV as part of Council's Land and Building valuation in 2018. All assets were valued using Cost approach based on components, unit rates, overall value, consumption scores and valuation profiles and residual value.

The asset class is categorised as Level 3 as key inputs used in the valuation of these assets require significant professional judgement and therefore are unobservable. Valuation techniques remain the same for this reporting period.

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**Notes to the Financial Statements**  
for the year ended 30 June 2019**Note 21. Fair Value Measurement (continued)****Non-current assets classified as 'held for sale'**

This asset class is comprised of Council's land & buildings included as part of Operational Land and Non- Specialised buildings, that has been classified as "Held for Sale". The valuation of the Non- Current Assets Held For Sale has been carried out on a market value basis - assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between a willing vendor and a willing purchaser in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

This asset class is categorised as level 3 as some of the inputs used in the valuation of these assets require significant professional judgement and are unobservable.

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

**(3) Highest and best use**

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

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

### Note 22. Related Party Transactions

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#### 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:

	2019 \$ '000	2018 \$ '000
<b>Compensation:</b>		
Short-term benefits	1,651	1,713
Post-employment benefits	668	613
Termination benefits	433	868
<b>Total</b>	<b>2,752</b>	<b>3,194</b>

### Note 23. Events occurring after the reporting date

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/6/2018						as at 30/6/2019		
	Opening Balance \$ '000	Contributions received during the year			Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	Cumulative internal borrowings due/(payable) \$ '000
		Cash \$ '000	Non-cash \$ '000						
Other	577	—	—		10	—	—	587	—
<b>S7.11 contributions – under a plan</b>	<b>577</b>	<b>—</b>	<b>—</b>		<b>10</b>	<b>—</b>	<b>—</b>	<b>587</b>	<b>—</b>
<b>S7.12 levies – under a plan</b>	<b>2,482</b>	<b>743</b>	<b>—</b>		<b>51</b>	<b>(270)</b>	<b>—</b>	<b>3,006</b>	<b>—</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>3,059</b>	<b>743</b>	<b>—</b>		<b>61</b>	<b>(270)</b>	<b>—</b>	<b>3,593</b>	<b>—</b>
<b>Total contributions</b>	<b>3,059</b>	<b>743</b>	<b>—</b>		<b>61</b>	<b>(270)</b>	<b>—</b>	<b>3,593</b>	<b>—</b>

## S7.11 Contributions – under a plan

## Lawson Town Centre

Other	577	—	—	10	—	—	587	—
<b>Total</b>	<b>577</b>	<b>—</b>	<b>—</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>587</b>	<b>—</b>

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

**Note 24. Statement of developer contributions (continued)**

	as at 30/6/2018		Contributions received during the year				as at 30/6/2019		
	Opening Balance \$ '000	Cash \$ '000	Non-cash		Interest earned in year \$ '000	Expenditure during year \$ '000	Internal borrowing (to)/from \$ '000	Held as restricted asset \$ '000	
			Cash \$ '000	Non-cash \$ '000					
<b>S7.12 Levies – under a plan</b>									
<b>S7.12 LEVIES – UNDER A PLAN</b>									
Other	2,482		743	–	51	(270)	–	3,006	–
<b>Total</b>	<b>2,482</b>		<b>743</b>	<b>–</b>	<b>51</b>	<b>(270)</b>	<b>–</b>	<b>3,006</b>	<b>–</b>

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

**Note 25(a). Statement of performance measures – consolidated results**

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>(5,738)</b>	<b>(4.81)%</b>	(4.37)%	5.42%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>119,274</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>103,255</b>	<b>82.07%</b>	83.52%	80.06%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>125,819</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>27,577</b>	<b>1.69x</b>	1.57x	2.26x	>1.50x
Current liabilities less specific purpose liabilities	<b>16,356</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>15,421</b>	<b>2.25x</b>	1.70x	2.59x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>6,866</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>3,992</b>	<b>4.83%</b>	3.73%	3.40%	<5.00%
Rates, annual and extra charges collectible	<b>82,713</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>30,648</b>	<b>3.13 mths</b>	3.37 mths	4.40 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>9,787</b>				

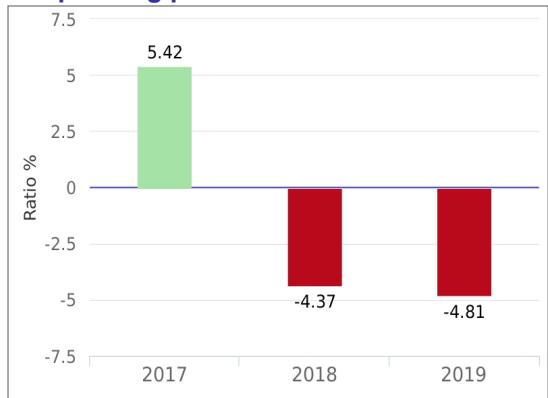
(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

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

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

### Note 25(b). Statement of performance measures – consolidated results (graphs)

#### 1. Operating performance ratio



Benchmark: — > 0.00%

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

#### Purpose of operating performance ratio

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

#### Commentary on 2018/19 result

2018/19 ratio (4.81)%

Higher asbestos and legal expenses due to on-going enquiries and investigations. An increase in the value of depreciation due to the revaluation of IPPE.

█ Ratio achieves benchmark

█ Ratio is outside benchmark

#### 2. Own source operating revenue ratio



Benchmark: — > 60.00%

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

#### Purpose of own source operating revenue ratio

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

#### Commentary on 2018/19 result

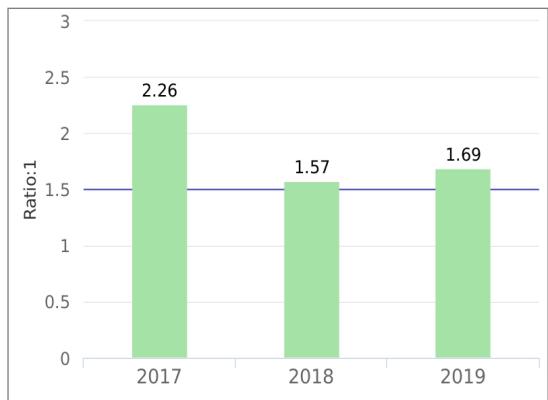
2018/19 ratio 82.07%

This ratio is impacted by the amount of funding received from external sources and varies from year to year. The ratio has been consistently above 75% which well exceeds the benchmark, showing Council maintains an acceptable level of fiscal flexibility.

█ Ratio achieves benchmark

█ Ratio is outside benchmark

#### 3. Unrestricted current ratio



Benchmark: — > 1.50x

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

#### Purpose of unrestricted current ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 1.69x

Council has been consistently above the benchmark of 1.5. Although there has been a decrease in cash holdings along with investments the benchmark has still been achieved.

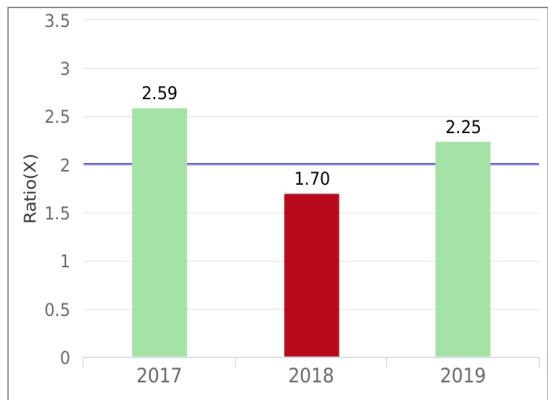
█ Ratio achieves benchmark

█ Ratio is outside benchmark

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

Note 25(b). Statement of performance measures – consolidated results (graphs)

**4. Debt service cover ratio**



Benchmark: — > 2.00x

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

**Purpose of debt service cover ratio**

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

**Commentary on 2018/19 result**

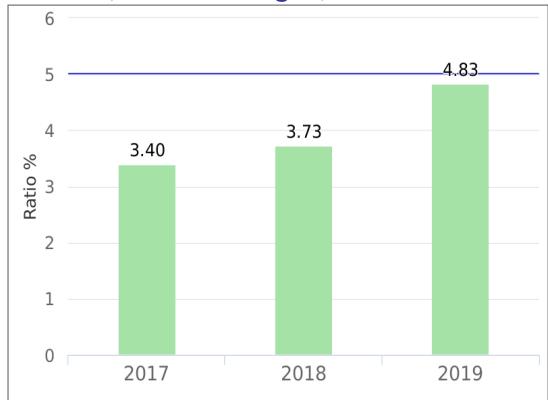
2018/19 ratio 2.25x

The improvement in the Debt Service Cover Ratio reflects an improvement in the operating result, and the ratio is now above the benchmark of 2.0

Ratio achieves benchmark

Ratio is outside benchmark

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



Benchmark: — < 5.00%

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

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

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

**Commentary on 2018/19 result**

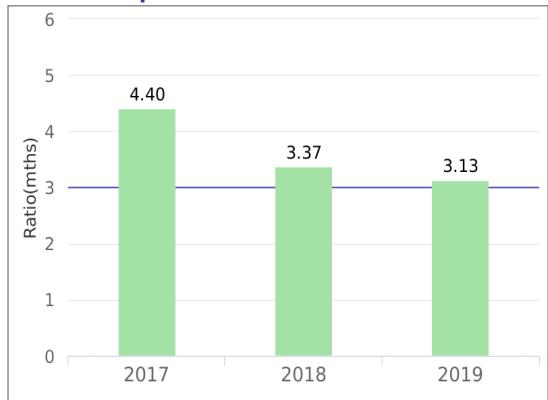
2018/19 ratio 4.83%

Council's debt recovery practices continue to be effective, whilst taking into account the circumstances of the ratepayers. This was the final year of the Special Rate Variation.

Ratio achieves benchmark

Ratio is outside benchmark

**6. Cash expense cover ratio**



Benchmark: — > 3.00mths

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

**Purpose of cash expense cover ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio 3.13 mths

Council continues to maintain a cash balance above the benchmark with sufficient funds to meet expenditure for a period in excess of 3 months, without the need for additional cash.

Ratio achieves benchmark

Ratio is outside benchmark

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

**Note 26. Financial review**

	2019 \$ '000	2018 \$ '000	2017 \$ '000	2016 \$ '000	2015 \$ '000
<b>Key financial figures of Council over the past 5 years</b>					
<b>Inflows:</b>					
Rates and annual charges revenue	80,217	74,996	68,370	61,307	59,321
User charges revenue	16,823	17,221	18,762	17,834	15,741
Interest and investment revenue (losses)	887	1,000	970	1,058	1,190
Grants income – operating and capital	16,998	15,989	19,853	15,537	21,941
Total income from continuing operations	127,884	118,535	119,320	108,718	107,193
Sale proceeds from I,PP&E	1,165	1,041	1,943	6,132	2,931
<b>Outflows:</b>					
Employee benefits and on-cost expenses	57,410	52,274	49,920	46,935	46,340
Borrowing costs	2,017	2,236	2,477	3,221	3,813
Materials and contracts expenses	30,431	27,969	26,360	23,902	20,870
Total expenses from continuing operations	125,103	120,295	110,518	105,259	101,660
Total cash purchases of I,PP&E	15,531	18,498	15,370	15,600	26,726
Total loan repayments (incl. finance leases)	4,849	5,488	7,065	7,300	5,540
Operating surplus/(deficit) (excl. capital income)	(3,764)	(4,742)	6,410	2,031	(3,005)
<b>Financial position figures</b>					
Current assets	38,400	36,237	44,841	42,166	40,886
Current liabilities	26,148	27,306	26,366	24,716	26,834
Net current assets	12,252	8,931	18,475	17,450	14,052
Available working capital (Unrestricted net current assets)	2,585	1,350	2,853	6,109	2,543
Cash and investments – unrestricted	1,613	4,598	4,258	1,711	395
Cash and investments – internal restrictions	17,984	18,440	26,740	21,188	21,071
Cash and investments – total	30,648	31,696	37,859	30,468	30,350
Total borrowings outstanding (Loans, advances and finance leases)	28,461	33,310	38,798	45,863	53,360
Total value of I,PP&E (excl. land and earthworks)	1,093,336	1,110,099	1,051,355	1,044,993	1,036,843
Total accumulated depreciation	315,593	303,984	430,969	424,161	411,832
Indicative remaining useful life (as a % of GBV)	71%	73%	59%	59%	60%

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

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

### Note 27. Council information and contact details

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2-6 Civic Place  
Katoomba NSW 2780

**Mailing Address:**  
Locked Bag 1005,  
Katoomba NSW 2780

**Telephone:** 02 4780 5000  
**Facsimile:** 02 4780 5555

**Opening hours:**  
8:30am - 5:00pm  
Monday to Friday

**Internet:** [www.bmcc.nsw.gov.au](http://www.bmcc.nsw.gov.au)  
**Email:** [council@bmcc.nsw.gov.au](mailto:council@bmcc.nsw.gov.au)

#### Officers

**Chief Executive Officer**  
Rosemary Dillon

**Responsible Accounting Officer**  
Hailie Ryzak

**Public Officer**  
Jasmine Cooper

#### Auditors

The Audit Office of New South Wales  
Level 15, 1 Margaret Street,  
Sydney NSW 2000

#### Elected members

**Mayor**  
Mark Greenhill OAM

#### Councillors

Kerry Brown (Ward 1)  
Kevin Schreiber (Ward 1)  
Don McGregor (Ward 1)  
Brent Hoare (Ward 2)  
Chris Van Der Kley (Deputy Mayor) (Ward 2)  
Romola Hollywood (Ward 2)  
Daniel Myles (Ward 3)  
Shae Foenander (Ward 3)  
Mick Fell (Ward 3)  
Brendan Christie (Ward 4)  
Darryl Bowling (Ward 4)

#### Other information

**ABN:** 52 699 520 223



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Blue Mountains City Council

To the Councillors of the Blue Mountains City Council

#### **Opinion**

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

In my opinion:

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

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

#### **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 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.



Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 October 2019  
SYDNEY



Cr Mark Greenhill  
Mayor  
Blue Mountains City Council  
2-6 Civic Place  
KATOOMBA NSW 2780

Contact: Caroline Karakatsanis  
Phone no: 02 9275 7143  
Our ref: D1924891/1696

18 October 2019

Dear Mark

**Report on the Conduct of the Audit  
for the year ended 30 June 2019  
Blue Mountains City Council**

I have audited the general-purpose financial statements (GPFS) of the Blue Mountains City Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

## INCOME STATEMENT

### Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	80.2	75.0	 6.9
Grants and contributions revenue	21.7	18.6	 16.7
Operating result for the year	2.8	(1.8)	 256
Net operating result before capital grants and contributions	(3.8)	(4.7)	 19.2

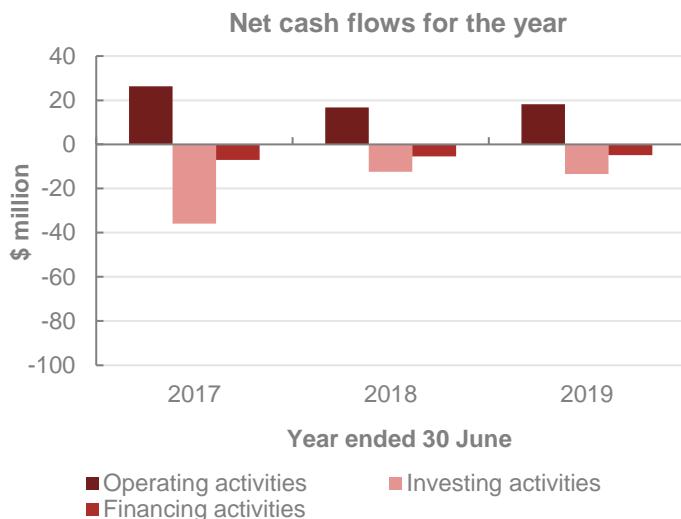
Council's operating result was a surplus of \$2.8 million (\$1.8 million deficit for the year ended 30 June 2018). The net operating result before capital grants and contributions was a deficit of \$3.8 million (\$4.7 million deficit for the year ended 30 June 2018). These movements were mainly due to the increase in rates and annual charges and grants and contributions that were provided for capital purposes and were received during the year. Expenses reflected an increase in employee benefits and on costs, as well as depreciation (which is consistent with the significant asset revaluations in the prior year).

Rates and annual charges revenue was \$80.2 million (\$75.0 million for the year ended 30 June 2018). The increase of \$5.2 million (6.9 per cent) is consistent with an increase in ordinary rates in line with the rate peg, approved variation and rise in the total number of rateable properties.

Grants and contributions revenue was \$21.7 million (\$18.6 million for the year ended 30 June 2018). The increase of \$3.1 million (16.7 per cent) is primarily due to the increase in grants and contributions provided for capital purpose.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$6.6 million (\$6.6 million for the year ended 30 June 2018). There was no significant movement in cash.
- Net cash provided by operating activities has increased by \$1.3 million. This is mainly due to the increase in receipts for rates and annual charges and grants and contributions, offset by the increase in payments made for employee benefits and materials and contracts.
- Net cash used in investing activities increased by \$0.9 million. This is mainly due to the decrease in the sale of investment securities combined with decrease in purchase of investment securities and infrastructure, property, plant and equipment.
- Net cash used in financing activities has decreased by \$0.6 million. This is mainly due to reduction in borrowing by repayment of borrowings over the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	11.0	8.6	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. External restrictions have increased by \$2.4 million. This is mainly due to the increase in specific purpose unexpended grants and domestic waste management.</li> </ul>
Internal restrictions	17.9	18.4	
Unrestricted	1.6	4.6	
<b>Cash and investments</b>	<b>30.5</b>	<b>31.6</b>	<ul style="list-style-type: none"> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The decrease in the internal restrictions is primarily due to decreases in the tip improvement programs.</li> <li>Unrestricted cash and investments was \$1.6 million, which is available to provide liquidity for day-to-day operations of the Council. There was a \$3 million decrease in the unrestricted cash and investments balance due to an increase in general purpose grants and contributions received for capital purposes during the year.</li> </ul>

### Debt

Council has \$28.4 million of borrowings as at 30 June 2019 (2018: \$33.3 million). The decrease in 2019 relates to principal repayments made in accordance with the loan schedule.

## PERFORMANCE

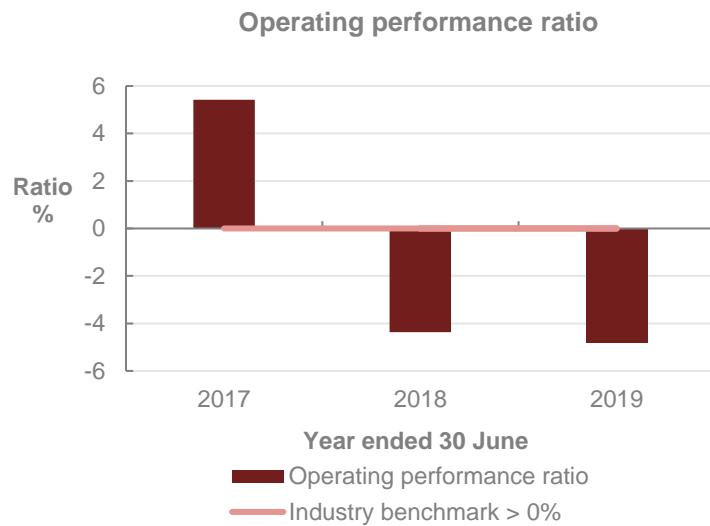
### Operating performance ratio

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 the former Office of Local Government (OLG) is greater than zero per cent.

The negative operating performance ratio of 4.81 per cent is below the industry benchmark of 0 per cent. This indicates the Council has higher operating expenditures than operating revenue and cannot contain the operating expenditures within operating income.

The operating performance ratio increased to -4.81 per cent

(2018:-4.37 per cent) due to the increase in employee benefits, material and contracts and depreciation expense. An increase in depreciation is due to the revaluation of IPPE in 2018.

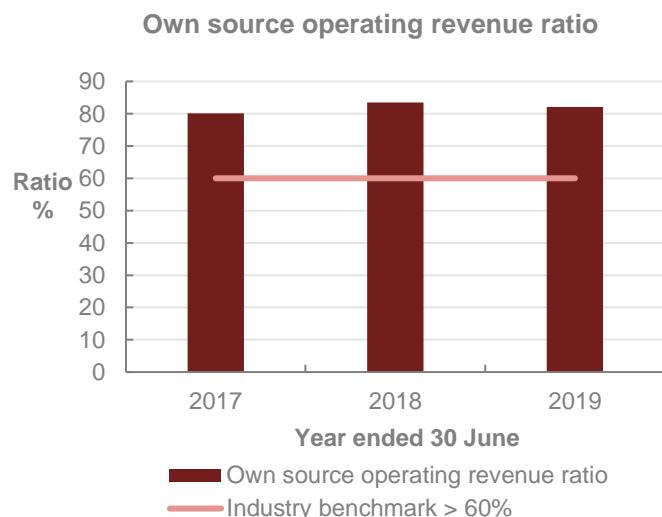


### Own source operating revenue ratio

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 the former OLG is greater than 60 per cent.

The Council's own source operating revenue ratio of 82.07 per cent is above the industry benchmark of 60 per cent. This indicates the council is not reliant on external funding sources such as grants and contributions.

The own source operating revenue ratio decrease slightly in 2019, due to the changes in operating funding.

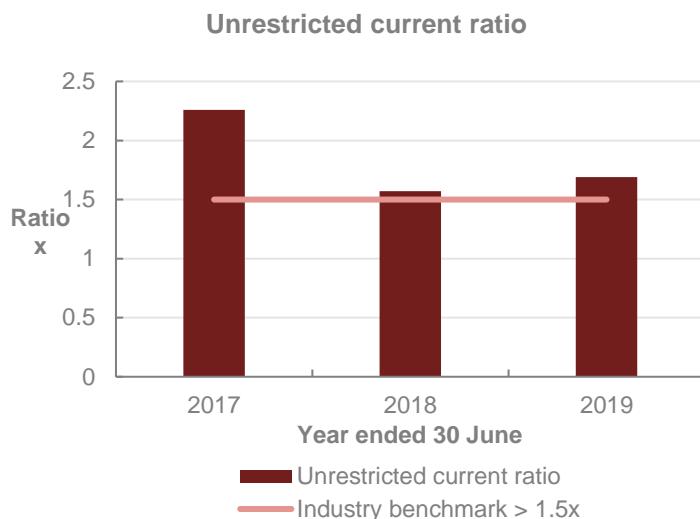


## Unrestricted current ratio

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 the former OLG is greater than 1.5 times.

The Council's liquidity ratio of 1.69 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

The Council's unrestricted current ratio has improved this year.

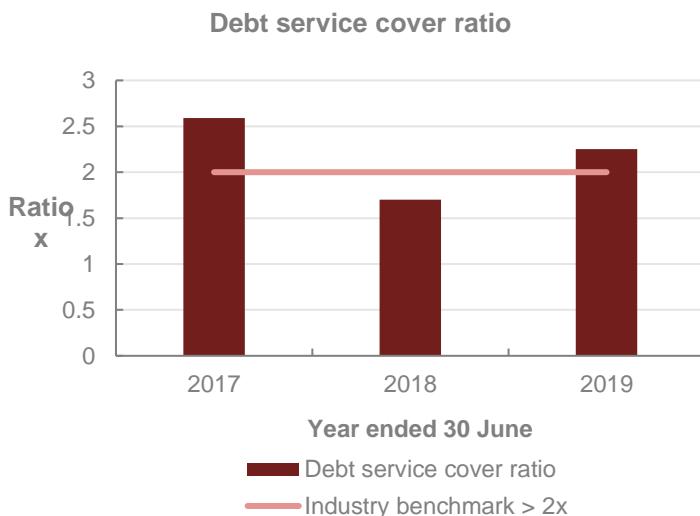


## Debt service cover ratio

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

The Council's debt service cover ratio is 2.25 times, this is greater than the industry benchmark of 2 times. This indicates that Council has adequate revenue to cover the principal repayments and borrowing costs. The Council's debt service cover ratio has improved this year due to repayment of borrowings as scheduled.

Council holds loans with a value of \$28.4 million as at 30 June 2019.

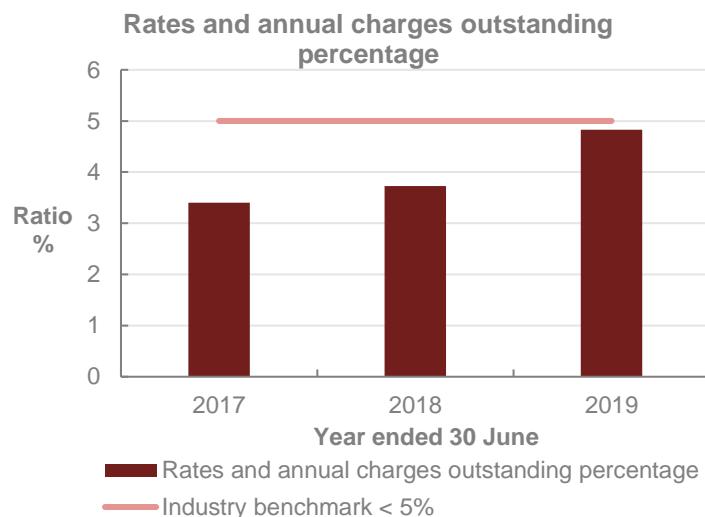


## Rates and annual charges outstanding percentage

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 the former OLG is less than 10 per cent for regional and rural councils.

The Council's rates and annual charges outstanding ratio of 4.83 per cent is within the industry benchmark set by the former OLG of less than 5 per cent for city councils.

The rates and annual charges outstanding percentage has increased consistently over the previous years, indicating that the Council's rate recovery measures continue to be effective whilst taking into account the circumstances of the ratepayers in collecting and reducing outstanding debts.

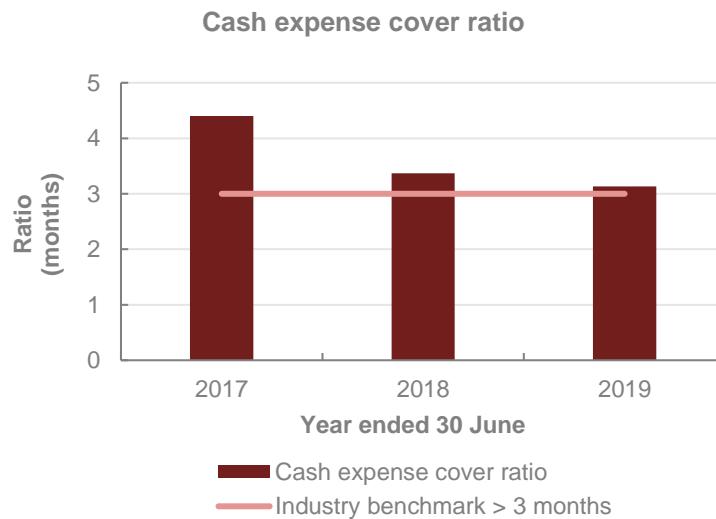


## Cash expense cover ratio

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 the former OLG is greater than three months.

The Council's cash expense cover ratio was 3.13 months, which is above the industry benchmark of greater than 3 months. This indicates that Council has the capacity to cover 3.13 months of operating cash expenditure without additional cash inflows at 30 June 2019.

The Council's cash expense cover ratio is reducing over the years.



## Infrastructure, property, plant and equipment renewals

The infrastructure, property, plant and equipment renewals ratio assess the rate which these assets are being renewed relative to the rate at which they are depreciating. The Council has renewed \$9.2 million of assets in the 2018–19 financial year, compared to \$7.6 million of assets in the 2017–18 financial year. The increase is primarily due to the \$2.8 million spend on roads during the year. The infrastructure renewals ratio has increased from prior years, which indicates that Council is on track to achieve the fit for the future target.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> <li>• a simplified model for classifying and measuring financial assets</li> <li>• a new method for calculating impairment</li> <li>• a new type of hedge accounting that more closely aligns with risk management.</li> </ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

### Legislative compliance

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

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

Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Rosemary Dillon, General Manager  
 Mr Michael Anstiss, Chair, Audit and Risk Committee  
 Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Blue Mountains City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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*Resourcing Sustainable Blue Mountains 2025*



## Special Purpose Financial Statements

for the year ended 30 June 2019

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### Background

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

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

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

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

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

# Blue Mountains City Council

## Special Purpose Financial Statements for the year ended 30 June 2019

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 27 August 2019.



Mark Greenhill OAM  
Mayor  
Date 03/09/2019



Chris Van Der Kley  
Councillor - Deputy Mayor  
Date 03/09/2019



Rosemary Dillon  
Chief Executive Officer  
Date 03/09/2019



Hailie Ryzak  
Responsible Accounting Officer  
Date 03/09/2019

**Income Statement – Tourism**  
for the year ended 30 June 2019

	2019 Category 1 \$ '000	2018 Category 1 \$ '000
<b>Income from continuing operations</b>		
User charges	2,130	2,335
Other income	39	47
<b>Total income from continuing operations</b>	<b>2,169</b>	<b>2,382</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	820	809
Materials and contracts	1,113	1,138
Depreciation, amortisation and impairment	47	32
Calculated taxation equivalents	40	40
Other expenses	61	63
<b>Total expenses from continuing operations</b>	<b>2,081</b>	<b>2,082</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>88</b>	<b>300</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>88</b>	<b>300</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>88</b>	<b>300</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital] (2018 30%)	(24)	(90)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>64</b>	<b>210</b>
<b>Plus accumulated surplus</b>	<b>1,135</b>	<b>1,035</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	40	40
– Corporate taxation equivalent	24	97
<b>Add:</b>		
– Subsidy paid/contribution to operations	1,088	(247)
<b>Closing accumulated surplus</b>	<b>2,351</b>	<b>1,135</b>
<b>Return on capital %</b>	<b>3.8%</b>	<b>27.6%</b>

**Income Statement – Aquatics**  
for the year ended 30 June 2019

	2019 Category 1 \$ '000	2018 Category 1 \$ '000
<b>Income from continuing operations</b>		
User charges	3,845	3,962
Profit from the sale of assets	–	5
Other income	114	109
<b>Total income from continuing operations</b>	<b>3,959</b>	<b>4,076</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	4,048	4,002
Materials and contracts	2,675	1,694
Depreciation, amortisation and impairment	645	621
Calculated taxation equivalents	200	193
Debt guarantee fee (if applicable)	24	38
Other expenses	1,008	1,120
<b>Total expenses from continuing operations</b>	<b>8,600</b>	<b>7,668</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(4,641)</b>	<b>(3,592)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(4,641)</b>	<b>(3,592)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(4,641)</b>	<b>(3,592)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(4,641)</b>	<b>(3,592)</b>
<b>Plus accumulated surplus</b>	<b>15,610</b>	<b>15,246</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	200	193
– Debt guarantee fees	24	38
<b>Add:</b>		
– Subsidy paid/contribution to operations	11,534	3,725
<b>Closing accumulated surplus</b>	<b>22,727</b>	<b>15,610</b>
<b>Return on capital %</b>	<b>(19.6)%</b>	<b>(21.2)%</b>
<b>Subsidy from Council</b>	<b>4,954</b>	<b>4,037</b>

**Income Statement – Tourist Parks**  
for the year ended 30 June 2019

	2019 Category 2 \$ '000	2018 Category 2 \$ '000
<b>Income from continuing operations</b>		
User charges	1,726	1,683
<b>Total income from continuing operations</b>	<b>1,726</b>	<b>1,683</b>
<b>Expenses from continuing operations</b>		
Materials and contracts	1,186	849
Depreciation, amortisation and impairment	65	16
Other expenses	164	154
<b>Total expenses from continuing operations</b>	<b>1,415</b>	<b>1,019</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>311</b>	<b>664</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>311</b>	<b>664</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>311</b>	<b>664</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital] (2018 30%)	(86)	(199)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>225</b>	<b>465</b>
<b>Plus accumulated surplus</b>	<b>6,073</b>	<b>6,073</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	86	215
<b>Add:</b>		
– Subsidy paid/contribution to operations	1,463	(680)
<b>Closing accumulated surplus</b>	<b>7,847</b>	<b>6,073</b>
<b>Return on capital %</b>	<b>4.0%</b>	<b>11.0%</b>

**Statement of Financial Position – Tourism**  
as at 30 June 2019

	2019 Category 1 \$ '000	2018 Category 1 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	6	4
Inventories	209	153
<b>Total current assets</b>	<b>215</b>	<b>157</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	2,297	1,087
<b>Total non-current assets</b>	<b>2,297</b>	<b>1,087</b>
<b>TOTAL ASSETS</b>	<b>2,512</b>	<b>1,244</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	151	112
<b>Total current liabilities</b>	<b>151</b>	<b>112</b>
<b>Non-current liabilities</b>		
Provisions	17	4
<b>Total non-current liabilities</b>	<b>17</b>	<b>4</b>
<b>TOTAL LIABILITIES</b>	<b>168</b>	<b>116</b>
<b>NET ASSETS</b>	<b>2,344</b>	<b>1,128</b>
<b>EQUITY</b>		
Accumulated surplus	2,344	1,128
<b>TOTAL EQUITY</b>	<b>2,344</b>	<b>1,128</b>

**Statement of Financial Position – Aquatics**  
as at 30 June 2019

	2019 Category 1 \$ '000	2018 Category 1 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2	3
Receivables	25	43
Inventories	23	24
<b>Total current assets</b>	<b>50</b>	<b>70</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	23,702	16,926
<b>Total non-current assets</b>	<b>23,702</b>	<b>16,926</b>
<b>TOTAL ASSETS</b>	<b>23,752</b>	<b>16,996</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Income received in advance	58	93
Borrowings	409	398
Provisions	332	269
<b>Total current liabilities</b>	<b>799</b>	<b>760</b>
<b>Non-current liabilities</b>		
Borrowings	209	618
Provisions	17	8
<b>Total non-current liabilities</b>	<b>226</b>	<b>626</b>
<b>TOTAL LIABILITIES</b>	<b>1,025</b>	<b>1,386</b>
<b>NET ASSETS</b>	<b>22,727</b>	<b>15,610</b>
<b>EQUITY</b>		
Accumulated surplus	22,727	15,610
<b>TOTAL EQUITY</b>	<b>22,727</b>	<b>15,610</b>

**Statement of Financial Position – Tourist Parks**  
 as at 30 June 2019

	2019 Category 2 \$ '000	2018 Category 2 \$ '000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	7,831	6,057
<b>Total non-current assets</b>	<b>7,831</b>	<b>6,057</b>
<b>TOTAL ASSETS</b>	<b>7,831</b>	<b>6,057</b>
<b>NET ASSETS</b>	<b>7,831</b>	<b>6,057</b>
<b>EQUITY</b>		
Accumulated surplus	7,831	6,057
<b>TOTAL EQUITY</b>	<b>7,831</b>	<b>6,057</b>

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

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

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

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

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

### Declared business activities

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

#### Category 1

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

##### a. Aquatics

Council's Aquatic Centres (a community service not intended to make a profit)

##### b. Tourism Service

Council's Tourism Group servicing the entire Blue Mountains Local Government Area (includes separate tourism business activities and the sale of goods and (a community service not intended to make a profit)

#### Category 2

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

##### a. Tourist Parks

Council's two Tourist Parks located at Katoomba and Blackheath

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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#### Monetary amounts

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

##### (i) Taxation equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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**Operating result before capital income + interest expense**

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

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As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

#### (iv) Dividends

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



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial statements

#### Blue Mountains City Council

To the Councillors of the Blue Mountains City Council

#### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Blue Mountains City Council (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2019 the Statement of Financial Position of each Declared Business Activity as at 30 June 2019, Note 1 Significant accounting policies for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Tourism
- Aquatics
- Tourist Parks

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

#### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 October 2019  
SYDNEY

# Blue Mountains City Council

**SPECIAL SCHEDULES**  
for the year ended 30 June 2019

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*Resourcing Sustainable Blue Mountains 2025*



**Special Schedules**  
for the year ended 30 June 2019

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

**Permissible income for general rates**  
for the year ended 30 June 2019

		Calculation 2019/20 \$ '000	Calculation 2018/19 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	67,772	61,616
Plus or minus adjustments <sup>2</sup>	b	68	141
<b>Notional general income</b>	c = a + b	<b>67,840</b>	<b>61,757</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	0.00%	9.60%
Or rate peg percentage	e	2.70%	0.00%
Plus special variation amount	h = d x (c + g)	—	5,929
Or plus rate peg amount	i = e x (c + g)	1,832	—
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>69,672</b>	<b>67,686</b>
Plus (or minus) last year's carry forward total	l	(28)	86
Less valuation objections claimed in the previous year	m	—	(29)
<b>Sub-total</b>	n = (l + m)	<b>(28)</b>	<b>57</b>
<b>Total permissible income</b>	o = k + n	<b>69,644</b>	<b>67,743</b>
Less notional general income yield	p	69,666	67,771
<b>Catch-up or (excess) result</b>	q = o - p	<b>(23)</b>	<b>(28)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	3	—
<b>Carry forward to next year <sup>5</sup></b>	t = q + r + s	<b>(20)</b>	<b>(28)</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) 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**

#### **Blue Mountains City Council**

To the Councillors of Blue Mountains City Council

#### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Blue Mountains City Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

#### **Basis for Opinion**

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

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

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

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

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

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

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

#### **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

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

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

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

My opinion does not provide assurance:

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



Caroline Karakatsanis  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 October 2019  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost					Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring to the agreed level of service set by Council	Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	1	2	3	4	5	
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings	3,339	3,339	5,133	5,058	91,726	157,864	16.4%	40.1%	39.0%	4.2%	0.3%
	<b>Sub-total</b>	<b>3,339</b>	<b>3,339</b>	<b>5,133</b>	<b>5,058</b>	<b>109,292</b>	<b>157,864</b>	<b>16.4%</b>	<b>40.1%</b>	<b>39.0%</b>	<b>4.2%</b>	<b>0.3%</b>
<b>Other structures</b>	Other structures	6,855	6,855	883	787	27,118	48,895	4.1%	20.4%	53.8%	18.8%	2.9%
	<b>Sub-total</b>	<b>6,855</b>	<b>6,855</b>	<b>883</b>	<b>787</b>	<b>27,118</b>	<b>48,895</b>	<b>4.1%</b>	<b>20.4%</b>	<b>53.8%</b>	<b>18.8%</b>	<b>2.9%</b>
<b>Roads</b>	Roads	—	—	3,411	3,341	481,681	630,961	12.0%	60.0%	27.1%	0.8%	0.1%
	Bridges	716	716	—	—	6,718	9,006	3.6%	11.2%	68.3%	11.9%	5.0%
	Footpaths	—	—	399	399	23,875	42,017	41.0%	13.6%	31.9%	11.4%	2.1%
	Other road assets	—	—	5,051	5,051	14,050	23,171	35.9%	13.0%	44.2%	6.4%	0.5%
	<b>Sub-total</b>	<b>716</b>	<b>716</b>	<b>8,861</b>	<b>8,791</b>	<b>526,324</b>	<b>705,155</b>	<b>14.4%</b>	<b>55.1%</b>	<b>28.5%</b>	<b>1.8%</b>	<b>0.2%</b>
<b>Stormwater drainage</b>	Stormwater drainage	—	—	1,822	1,822	84,525	101,119	68.3%	19.8%	8.9%	2.3%	0.7%
	<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>1,822</b>	<b>1,822</b>	<b>84,525</b>	<b>101,119</b>	<b>68.3%</b>	<b>19.8%</b>	<b>8.9%</b>	<b>2.3%</b>	<b>0.7%</b>
<b>Open space / recreational assets</b>	Swimming pools	1,677	1,677	2,824	2,824	4,226	6,933	2.3%	23.5%	53.8%	20.4%	0.0%
	Other	697	697	4,238	4,238	—	8,611	10.4%	13.2%	49.3%	24.8%	2.3%
	<b>Sub-total</b>	<b>2,374</b>	<b>2,374</b>	<b>7,062</b>	<b>7,062</b>	<b>4,226</b>	<b>15,544</b>	<b>6.8%</b>	<b>17.8%</b>	<b>51.3%</b>	<b>22.8%</b>	<b>1.3%</b>
<b>TOTAL - ALL ASSETS</b>		<b>13,284</b>	<b>13,284</b>	<b>23,761</b>	<b>23,520</b>	<b>751,485</b>	<b>1,028,577</b>	<b>19.4%</b>	<b>47.1%</b>	<b>29.7%</b>	<b>3.3%</b>	<b>0.5%</b>

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>6,194</b>				
Depreciation, amortisation and impairment	<b>15,767</b>	<b>39.28%</b>	32.94%	35.10%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>13,284</b>	<b>1.77%</b>	1.99%	2.00%	<2.00%
Net carrying amount of infrastructure assets	<b>751,485</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>23,520</b>	<b>98.99%</b>	99.04%	99.00%	>100.00%
Required asset maintenance	<b>23,761</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>13,284</b>	<b>1.29%</b>	1.49%	1.22%	
Gross replacement cost	<b>1,028,577</b>				

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

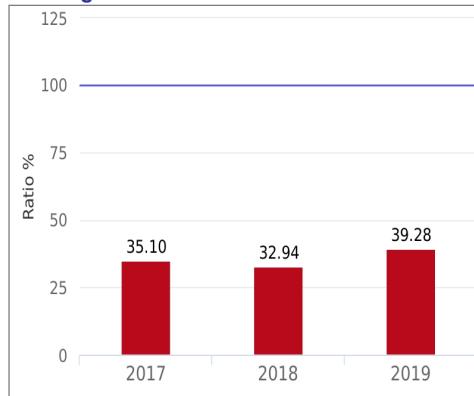
(1) Excludes Work In Progress (WIP)

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

### Buildings and infrastructure renewals ratio <sup>1</sup>



Benchmark: —  $\geq 100.00\%$

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

#### Infrastructure renewals ratio

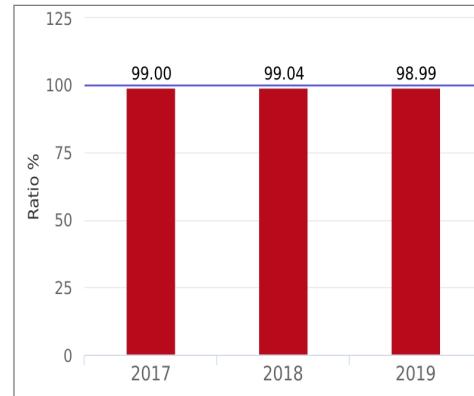
18/19 ratio 39.28%

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

Ratio achieves benchmark

Ratio is outside benchmark

### Asset maintenance ratio



Benchmark: —  $> 100.00\%$

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

#### Asset maintenance ratio

18/19 ratio 98.99%

Council is consistently achieving an asset maintenance ratio close to 100%. Council is committed to increasing asset maintenance so as to reduce the infrastructure backlog ratio and meet the Fit for the Future targets.

#### Commentary on result

18/19 ratio 98.99%

### Infrastructure backlog ratio <sup>1</sup>



Benchmark: —  $< 2.00\%$

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

#### Infrastructure backlog ratio

#### Commentary on result

18/19 ratio 1.77%

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

Ratio achieves benchmark

Ratio is outside benchmark

### Cost to bring assets to agreed service level



Benchmark: —  $< 1.20\%$

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

#### Cost to bring assets to agreed service level

#### Commentary on result

18/19 ratio 1.29%

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.

The ratio reflects the value of Council's assets that do not meet service levels agreed through community consultation in the development of the Community Strategic Plan.

<sup>(1)</sup> Excludes Work In Progress (WIP)



## Contact

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