

Kiama Municipal Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

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



Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

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and caring community.*



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

11 Manning St
Kiama NSW 2533

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

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.kiama.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Kiama Municipal Council**General Purpose Financial Statements**

for the year ended 30 June 2020

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)**The attached General Purpose Financial Statements have been prepared in accordance with:**

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

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

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

We are not aware of any matter that would render these statements false or misleading in any way.**Signed in accordance with a resolution of Council made on 17 November 2020.**

Mark Honey
Mayor
17 November 2020



Andrew Sloan
Councillor
17 November 2020



Kerry McMurray
General Manager
17 November 2020



David Mead
Responsible Accounting Officer
17 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
23,839	Rates and annual charges	3a	23,713	22,554
20,956	User charges and fees	3b	20,322	20,555
3,420	Other revenues	3c	4,711	3,541
11,412	Grants and contributions provided for operating purposes	3d,3e	10,452	10,004
12,731	Grants and contributions provided for capital purposes	3d,3e	11,352	14,806
1,043	Interest and investment income	4	460	1,337
–	Fair value increment on investment properties	12	1,313	778
73,401	Total income from continuing operations		72,323	73,575
Expenses from continuing operations				
28,914	Employee benefits and on-costs	5a	33,393	28,564
1,127	Borrowing costs	5b	799	154
18,831	Materials and contracts	5c	21,260	18,680
7,437	Depreciation and amortisation	5d	8,247	7,157
4,155	Other expenses	5e	3,903	3,580
–	Net losses from the disposal of assets	6	1,210	1,283
–	Net share of interests in joint ventures and associates using the equity method	20	115	53
60,464	Total expenses from continuing operations		68,927	59,471
12,937	Operating result from continuing operations		3,396	14,104
12,937	Net operating result for the year		3,396	14,104
13,274	Net operating result attributable to council		3,396	14,104
543	Net operating result for the year before grants and contributions provided for capital purposes		(7,956)	(702)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		3,396	14,104
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	62,168	—
Total items which will not be reclassified subsequently to the operating result		62,168	—
Total other comprehensive income for the year		62,168	—
Total comprehensive income for the year		65,564	14,104
 Total comprehensive income attributable to Council		 65,564	 14,104

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	13,946	18,141
Investments	7(b)	11,000	14,001
Receivables	8	2,326	2,606
Inventories	9	201	259
Contract assets	14a	155	—
Current assets classified as 'held for sale'	10	3,752	3,750
Total current assets		31,380	38,757
Non-current assets			
Investments	7(b)	1,009	3,509
Receivables	8	233	302
Infrastructure, property, plant and equipment	11(a)	485,345	432,462
Investment property	12	126,163	82,051
Intangible Assets	13	5,350	5,350
Right of use assets	15a	277	—
Investments accounted for using the equity method	20	59	174
Total non-current assets		618,436	523,848
Total assets		649,816	562,605
LIABILITIES			
Current liabilities			
Payables	16	39,236	78,300
Income received in advance	16	—	961
Contract liabilities	14b	1,352	—
Lease liabilities	15b	115	—
Borrowings	16	1,394	705
Provisions	17	7,779	7,242
Total current liabilities		49,876	87,208
Non-current liabilities			
Payables	16	66,767	5
Lease liabilities	15b	170	—
Borrowings	16	54,109	61,752
Provisions	17	721	229
Total non-current liabilities		121,767	61,986
Total liabilities		171,643	149,194
Net assets		478,173	413,411
EQUITY			
Accumulated surplus		226,245	223,651
Revaluation reserves		248,978	186,810
Other reserves		2,950	2,950
Council equity interest		478,173	413,411
Total equity		478,173	413,411

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Total equity	Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Total equity
Opening balance		223,651	186,810	2,950	413,411	209,547	186,810	2,950	399,307
Changes due to AASB 1058 and AASB 15 adoption	18c-ii	(802)	–	–	(802)	–	–	–	–
Changes due to AASB 16 adoption	18c-iii	–	–	–	–	–	–	–	–
Restated opening balance		222,849	186,810	2,950	412,609	209,547	186,810	2,950	399,307
Net operating result for the year		3,396	–	–	3,396	14,104	–	–	14,104
Restated net operating result for the period		3,396	–	–	3,396	14,104	–	–	14,104
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	11(a)	–	62,168	–	62,168	–	–	–	–
Other comprehensive income		–	62,168	–	62,168	–	–	–	–
Total comprehensive income		3,396	62,168	–	65,564	14,104	–	–	14,104
Equity – balance at end of the reporting period		226,245	248,978	2,950	478,173	223,651	186,810	2,950	413,411

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
23,768	Rates and annual charges		23,976	22,507
21,132	User charges and fees		22,510	20,344
252	Investment and interest revenue received		472	1,410
21,001	Grants and contributions		21,290	24,859
–	Bonds, deposits and retention amounts received		16	–
1,234	Other		4,571	4,603
Payments:				
(30,405)	Employee benefits and on-costs		(31,901)	(28,149)
(18,470)	Materials and contracts		(26,360)	(14,758)
(1,505)	Borrowing costs		(160)	(154)
–	Bonds, deposits and retention amounts refunded		–	(253)
(3,972)	Other		(4,576)	(3,385)
13,035	Net cash provided (or used in) operating activities	19b	9,838	27,024
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		50,000	23,357
1,628	Sale of real estate assets		–	–
1,683	Sale of infrastructure, property, plant and equipment		864	455
Payments:				
–	Purchase of investment securities		(44,500)	(17,843)
–	Purchase of investment property		–	(4)
(38,306)	Purchase of infrastructure, property, plant and equipment		(43,659)	(84,072)
(34,995)	Net cash provided (or used in) investing activities		(37,295)	(78,107)
Cash flows from financing activities				
Receipts:				
9,000	Proceeds from borrowings and advances		9,000	60,000
31,939	Proceeds from Retirement Village (loan licence agreements)		30,417	–
Payments:				
(16,358)	Repayment of borrowings and advances		(15,986)	(893)
–	Lease liabilities (principal repayments)		(169)	–
24,581	Net cash flow provided (used in) financing activities		23,262	59,107
2,621	Net increase/(decrease) in cash and cash equivalents		(4,195)	8,024
18,141	Plus: cash and cash equivalents – beginning of year	19a	18,141	10,117
20,762	Cash and cash equivalents – end of the year	19a	13,946	18,141
17,509	plus: Investments on hand – end of year	7(b)	12,009	17,510
38,271	Total cash, cash equivalents and investments		25,955	35,651

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 17 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties – refer Note 12
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (iii) employee benefit provisions – refer Note 17.

Significant judgements in applying the council's accounting policies

- (iv) Impairment of receivables

Council has reviewed the impairment of a number of its receivables – refer Note 8.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Waste Business Unit
- Kiama Coast Holiday Parks
- Blue Haven Retirement Village
- Kiama Leisure Centre

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Illawarra Shoalhaven Joint Organisation

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has not accounted for the volunteer services received in the income statement on the basis that the volunteer services were not material, not be purchased if not donated or could not be reliably measured during the reporting year. Council is to review the volunteer services received from time to time to recognise the revenue in the income statement.

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 2020 reporting periods (and which have not been early adopted by Council).

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

New accounting standards adopted during the year

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Corporate Services	26,176	22,404	15,446	7,900	10,730	14,504	3,204	1,809	60,148	96,675
Community Services	469	1,561	1,781	9,912	(1,312)	(8,351)	624	4,115	72,747	60,978
Environmental Services	7,344	6,971	8,694	11,988	(1,350)	(5,017)	29	154	1,314	677
Engineering & Works	10,791	13,798	16,914	12,187	(6,123)	1,611	2,649	3,196	350,435	185,770
Commercial Activities	27,543	28,841	26,092	17,484	1,451	11,357	13,950	8,350	167,823	218,505
Other	–	–	–	–	–	–	(1,576)	–	(2,651)	–
Total functions and activities	72,323	73,575	68,927	59,471	3,396	14,104	18,880	17,624	649,816	562,605

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Corporate Services

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

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

Community Services

Administration, community centre, youth services, aged and disabled, home nursing, family history centre, public libraries other community services.

Environmental Services

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

Engineering and Works

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

Commercial Activities

Holiday and caravan parks, real estate development, indoor sports complex, leisure centre, retirement village and waste unit.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Ordinary rates		
Residential	15,518	14,736
Farmland	652	611
Business	1,441	1,305
Less: pensioner rebates (mandatory)	(182)	(173)
Less: pensioner rebates (Council policy)	(148)	(141)
Rates levied to ratepayers	17,281	16,338
Pensioner rate subsidies received	181	163
Total ordinary rates	17,462	16,501
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,849	5,634
Stormwater management services	223	218
Waste management services (non-domestic)	254	255
Less: pensioner rebates (mandatory)	(68)	(66)
Less: pensioner rebates (Council policy)	(55)	(54)
Annual charges levied	6,203	5,987
Pensioner subsidies received:		
– Domestic waste management	48	66
Total annual charges	6,251	6,053
TOTAL RATES AND ANNUAL CHARGES	23,713	22,554

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

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

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

Accounting policy for rates and charges

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

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

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

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

2019 accounting policy

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

\$ '000	2020	2019
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Contract plant and truck hire	1,617	1,256
Trade waste	–	118
Total specific user charges	1,617	1,374
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	245	140
Planning and building regulation	522	570
Registration fees	27	23
Section 603 certificates	44	43
Total fees and charges – statutory/regulatory	838	776
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leisure centre	1,518	1,999
Waste disposal tipping fees	167	162
Blue Haven aged care	3,507	2,868
Blue Haven care – in home support packages	3,059	2,306
Council properties	638	870
Engineering services	148	173
Holiday parks	8,012	9,209
Library and family history centre	86	98
Public cemeteries	351	366
Saddleback mountain tower	158	25
Other	223	329
Total fees and charges – other	17,867	18,405
TOTAL USER CHARGES AND FEES	20,322	20,555

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

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

Accounting policy for user charges and fees

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

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

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

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

2019 accounting policy

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 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(c) Other revenues		
Rental income – investment property	69	39
Rental income – other council properties (2019 only)	117	120
Fines – parking	62	62
Fines – other	48	54
Insurance claims recoveries	584	501
Recycling income (non-domestic)	51	39
Sales – general	12	–
Deferred payment liabilities amortisation	1,935	1,587
Diesel fuel rebate	61	42
Motor vehicle leaseback	249	252
Other	897	779
Section 88 rebate	66	66
Visitor Information Centre	261	–
Return & Earn	155	–
Workers Compensation Rebate	75	–
Legal Settlements	69	–
TOTAL OTHER REVENUE	4,711	3,541

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

	Operating 2020	Operating 2019	Capital 2020	Capital 2019
\$ '000				

(d) Grants

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
General purpose (untied)				
Current year allocation				
Financial assistance	832	848	—	—
Payment in advance - future year allocation				
Financial assistance	881	879	—	—
Total general purpose	1,713	1,727	—	—
Specific purpose				
Bushfire and emergency services	129	129	—	—
Environmental programs	29	25	—	—
Library	136	61	250	—
LIRS subsidy	65	82	—	—
Recreation and culture	—	—	487	758
Street lighting	48	47	—	—
Transport (roads to recovery)	323	—	—	—
Transport (other roads and bridges funding)	—	—	—	458
Blue Haven care – in home support packages	1	21	—	—
Blue Haven retirement village	3,818	3,130	8,363	5,199
Community development	4	—	—	—
Community transport	303	315	—	—
Cultural development	80	5	—	—
Dementia friendly community program	3	27	—	—
Domestic assistance	—	3	—	—
Other	67	110	573	88
Regional carer respite centre	882	1,453	—	—
Restart – infrastructure	—	—	—	2,396
Road safety program	65	58	—	—
Traffic facilities/black spot program	—	—	336	97
Youth opportunities	48	42	—	—
Community support	1,157	1,162	—	—
Jamberoo Pool Refurbishment	—	—	—	231
Total specific purpose	7,158	6,670	10,009	9,227
Total grants	8,871	8,397	10,009	9,227
Grant revenue is attributable to:				
– Commonwealth funding	7,569	7,906	365	1,199
– State funding	1,288	465	9,130	8,028
– Other funding	14	26	514	—
	8,871	8,397	10,009	9,227

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

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

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

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

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

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
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(e) Contributions

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	1,338	993
Total developer contributions – cash		–	–	1,338	993
Total developer contributions	28	–	–	1,338	993
Other contributions:					
Cash contributions					
Community services		874	838	–	–
RMS contributions (regional roads, block grant)		660	726	–	–
Community bus		47	43	–	–
Contributed assets		–	–	5	4,586
Total other contributions – cash		1,581	1,607	5	4,586
Total other contributions		1,581	1,607	5	4,586
Total contributions		1,581	1,607	1,343	5,579
TOTAL GRANTS AND CONTRIBUTIONS		10,452	10,004	11,352	14,806

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

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

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

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

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

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

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

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

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

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

Grant income

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	81	474
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	71
Add: operating grants received for the provision of goods and services in a future period	58	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(464)
Less: operating grants received in a previous reporting period now spent and recognised as income	(44)	–
Unexpended and held as externally restricted assets (operating grants)	95	81

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
The nature of the unexpended operating grants are for carrying out services to the community.		
Capital grants		
Unexpended at the close of the previous reporting period	1,011	12
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	1,011
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(12)
Less: capital grants received in a previous reporting period now spent and recognised as income	(544)	–
Unexpended and held as externally restricted assets (capital grants)	467	1,011

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

Contributions

Unexpended at the close of the previous reporting period	5,331	4,246
Add: contributions recognised as income in the current period but not yet spent	1,338	1,085
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(3,314)	–
Unexpended and held as externally restricted assets (contributions)	3,355	5,331

The nature of the unexpended restricted assets (contributions) relate to the provisions of sections 7.4, 7.11 and 7.12 of the Environmental Planning and Assessment Act 1979. Developer contributions may only be expended for the purposes for which the contributions were required, but the council may apply contributions according to the priorities established in work schedules.

\$ '000	AASB 15 2020	AASB 1058 2020
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(g) Disaggregation of material revenue streams

The following shows the revenue recognition pattern for the material revenue streams of Council.

Revenue recognition at a point in time

Rates and annual charges	–	23,713
Financial assistance grants	–	1,713
User charges and fees	12,309	–
Grant revenue and non-developer contributions	–	5,809
Developer contributions	–	1,337
Fines	–	110
Sale of goods	12	–
Other Revenue	2,575	117
	14,896	32,799

Revenue recognised over time

Grant revenue	3,818	–
Grants to acquire or construct Council controlled assets	–	8,614

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB 15 2020	AASB 1058 2020
User charges and fees	8,012	–
Other Revenue	1,935	–
	<u>13,765</u>	<u>8,614</u>

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	29	35
– Cash and investments	431	1,278
Fair value adjustments		
– Movements in investments at fair value through profit and loss	–	24
Total Interest and investment income	<u>460</u>	<u>1,337</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	29	35
General Council cash and investments	394	1,182

Restricted investments/funds – external:

Development contributions		
– Section 7.11	37	120

Total interest and investment revenue

	<u>460</u>	<u>1,337</u>
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Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	27,322	23,507
Employee leave entitlements (ELE)	3,562	3,127
Superannuation	2,674	2,394
Workers' compensation insurance	633	489
Fringe benefit tax (FBT)	75	51
Training costs (other than salaries and wages)	157	260
Other	–	76
Total employee costs	34,423	29,904
Less: capitalised costs	(1,030)	(1,340)
TOTAL EMPLOYEE COSTS EXPENSED	33,393	28,564
Number of 'full-time equivalent' employees (FTE) at year end	358	297

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	22	–
Interest on loans	193	131
Interest on advances	549	21
Other debts	3	2
Total interest bearing liability costs	767	154
Total interest bearing liability costs expensed	767	154
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
Fair value adjustment on loans (to Council)	32	–
Total other borrowing costs	32	–
TOTAL BORROWING COSTS EXPENSED	799	154

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	13,926	12,299
Contractor and consultancy costs	6,700	5,895
Auditors remuneration ²	82	96
Legal expenses:		
– Legal expenses: planning and development	479	294
– Legal expenses: other	56	84
Expenses from short-term leases (2020 only)	10	–
Expenses from leases of low value assets (2020 only)	7	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	12
Total materials and contracts	21,260	18,680
TOTAL MATERIALS AND CONTRACTS	21,260	18,680

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Other	–	12
	–	12

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	79	90
Remuneration for audit and other assurance services	79	90
Total Auditor-General remuneration	79	90

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

Other audit and assurance services	3	6
Remuneration for audit and other assurance services	3	6
Total remuneration of non NSW Auditor-General audit firms	3	6
Total Auditor remuneration	82	96

\$ '000	Notes	2020	2019
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,237	1,225
Office equipment		552	422
Furniture and fittings		168	113
Land improvements (depreciable)		158	20
Infrastructure:	11(a)		
– Buildings – non-specialised		492	478
– Buildings – specialised		1,757	1,347
– Other structures		55	123
– Roads		2,267	2,258
– Bridges		191	161
– Footpaths		328	269
– Stormwater drainage		304	304
– Swimming pools		8	8
– Other open space/recreational assets		322	322
Right of use assets	15	177	–
Other assets:			
– Library books		91	91
– Other		140	16
Total gross depreciation and amortisation costs		8,247	7,157
Total depreciation and amortisation costs		8,247	7,157
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		8,247	7,157

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

Depreciation and amortisation

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

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

Impairment of non-financial assets

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

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

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

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Contributions/levies to other levels of government		
– Crown reserve levy	418	412
– Emergency services levy (includes FRNSW, SES, and RFS levies)	302	246
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	182	180
Councillors' expenses (incl. mayor) – other (excluding fees above)	45	80
Donations, contributions and assistance to other organisations (Section 356)	173	239
Electricity and heating	1,019	1,006
Holiday parks promotion/membership	52	74
Insurance	546	571
Street lighting	278	394
Subscriptions and publications	86	38
Telephone and communications	705	297
Other	53	–
Total other expenses	3,903	3,580
TOTAL OTHER EXPENSES	3,903	3,580

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 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	11(a)		
Proceeds from disposal – plant and equipment		651	455
Less: carrying amount of plant and equipment assets sold/written off		(801)	(375)
Net gain/(loss) on disposal		(150)	80
Property (excl. investment property)			
Less: carrying amount of property assets sold/written off		(572)	(640)
Net gain/(loss) on disposal		(572)	(640)
Infrastructure	11(a)		
Less: carrying amount of infrastructure assets sold/written off		(488)	(723)
Net gain/(loss) on disposal		(488)	(723)
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		44,500	23,357
Less: carrying amount of investments sold/redeemed/matured		(44,500)	(23,357)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,210)	(1,283)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	13,946	18,141
Total cash and cash equivalents	13,946	18,141

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
'Financial assets at amortised cost' / 'held to maturity'	11,000	1,009	14,001	3,509
Total Investments	11,000	1,009	14,001	3,509
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	24,946	1,009	32,142	3,509
Financial assets at amortised cost				
Long term deposits	11,000	–	14,001	2,500
NCD's, FRN's (with maturities > 3 months)	–	1,009	–	1,009
Total	11,000	1,009	14,001	3,509

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	24,946	1,009	32,142	3,509
attributable to:				
External restrictions	11,595	1,009	7,923	3,509
Internal restrictions	13,037	–	23,715	–
Unrestricted	314	–	504	–
	24,946	1,009	32,142	3,509

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

External restrictions – included in liabilities	562	–
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External restrictions – other

Developer contributions – general	4,355	5,358
Specific purpose unexpended grants (recognised as revenue) – general fund	–	1,092
Domestic waste management	3,353	3,089
Illawarra Shoalhaven Joint Organisation	22	1,893
Loan Restrictions – TCorp	1,094	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
BHT - ILU Maintenance Levy carried forward surplus	1,385	—
BHB - ILU Maintenance Levy carried forward surplus	114	—
Blue Haven care – residential	1,400	—
CACP	4	—
Community bus	315	—
External restrictions – other	12,042	11,432
Total external restrictions	12,604	11,432
Internal restrictions		
Arts precinct	—	39
Blue Haven care – residential	—	1,518
Blue Haven ILU	—	461
CACP	—	161
Carry over works	4,207	4,528
Community bus	—	399
Computer	—	770
Council Elections	145	145
Employees leave entitlement	1,500	2,260
Energy efficiency	213	285
Fleet replacement	—	40
Future Projects	—	500
Holiday parks	959	3,537
Land development	1,601	3,823
Pavilion	—	40
Plant replacement	1,514	1,900
Regional carer respite centre	—	417
Risk Improvement Incentive	105	105
Unspent Loan Funding	1,116	1,623
Waste and sustainability	415	415
Waste business unit	1,262	749
Total internal restrictions	13,037	23,715
TOTAL RESTRICTIONS	25,641	35,147

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	453	–	388	–
Interest and extra charges	–	–	12	–
User charges and fees	1,318	–	980	–
Private works	39	–	39	–
Accrued revenues				
– Interest on investments	98	–	263	–
– Other income accruals	–	–	220	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	41	–	41	–
Net GST receivable	433	–	641	–
Other – advances to public	–	233	–	302
Other – holiday park charges	–	–	93	–
Employee deductions and on costs	8	–	9	–
Total	2,390	233	2,686	302
Less: provision of impairment				
Rates and annual charges	(64)	–	(35)	–
User charges and fees	–	–	(45)	–
Total provision for impairment – receivables	(64)	–	(80)	–
TOTAL NET RECEIVABLES	2,326	233	2,606	302
Unrestricted receivables	2,326	233	2,606	302
TOTAL NET RECEIVABLES	2,326	233	2,606	302

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	63	80
Balance at the end of the year	63	80

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Under Regulation 213 of the Local Government (General) Regulation 2005, the fact that a debt is written off under this clause does not prevent the Council concerned from taking legal proceedings to recover the debt.

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Inventories				
(i) Inventories at cost				
Stores and materials	185	–	205	–
Trading stock	16	–	54	–
Total inventories at cost	201	–	259	–
TOTAL INVENTORIES	201	–	259	–

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total unrestricted assets	201	–	259	–
TOTAL INVENTORIES AND OTHER ASSETS	201	–	259	–

(i) Other disclosures

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

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

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 2020

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

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	3,752	–	3,750	–
Total non-current assets 'held for sale'	3,752	–	3,750	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>3,752</u>	<u>–</u>	<u>3,750</u>	<u>–</u>

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

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	3,752	3,750
Balance still unsold after 12 months:	3,752	3,750
Closing balance of 'held for sale' non-current assets and operations	3,752	3,750

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	79,011	–	79,011	1,180	(35,832)	–	–	–	(42,799)	–	–	1,560	–	1,560
Plant and equipment	20,902	(11,103)	9,799	4,324	2,700	(802)	(1,239)	98	–	–	–	28,954	(14,074)	14,880
Office equipment	4,578	(3,159)	1,419	138	–	–	(553)	690	–	–	–	5,401	(3,707)	1,694
Furniture and fittings	3,131	(2,498)	633	480	–	–	(170)	73	–	–	–	3,675	(2,659)	1,016
Land:														
– Operational land	39,715	–	39,715	–	–	–	–	1,399	–	–	–	41,114	–	41,114
– Community land	60,361	–	60,361	–	1,214	–	–	1,591	–	–	19,126	82,292	–	82,292
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	986	–	986	447	1,507	(131)	(20)	1,942	–	–	–	4,751	(20)	4,731
Land improvements – depreciable	720	(417)	303	430	–	(139)	(133)	1,131	–	–	–	3,079	(1,487)	1,592
Infrastructure:														
– Buildings – non-specialised	19,385	(7,759)	11,626	3,077	–	–	(487)	816	–	–	–	22,565	(7,533)	15,032
– Buildings – specialised	96,989	(48,839)	48,150	2,750	50,553	(572)	(1,757)	(3,475)	–	–	–	146,157	(50,508)	95,649
– Other structures	12,023	(5,816)	6,207	1,231	–	–	(55)	(5,045)	–	–	–	5,982	(3,644)	2,338
– Roads	145,831	(54,260)	91,571	2,042	–	(175)	(2,272)	(4,749)	–	–	50,098	192,443	(55,928)	136,515
– Bridges	14,979	(5,884)	9,095	120	–	–	(191)	2,479	–	–	–	18,483	(6,980)	11,503
– Footpaths	15,065	(5,230)	9,835	592	24	(4)	(328)	(108)	–	–	–	15,472	(5,461)	10,011
– Bulk earthworks (non-depreciable)	23,449	–	23,449	123	5,128	–	–	643	–	(7,056)	–	22,294	(7)	22,287
– Stormwater drainage	37,942	(9,840)	28,102	274	–	(21)	(304)	–	–	–	–	38,188	(10,137)	28,051
– Swimming pools	461	(267)	194	–	–	–	(8)	–	–	–	–	461	(275)	186
– Other open space/recreational assets	16,082	(4,721)	11,361	–	–	–	(322)	(2,454)	–	–	–	13,637	(5,052)	8,585
Other assets:														
– Library books	2,000	(1,535)	465	76	–	–	(91)	–	–	–	–	2,076	(1,626)	450
– Other	230	(78)	152	860	–	(10)	(140)	4,969	–	–	–	6,004	(173)	5,831
Total Infrastructure, property, plant and equipment	593,868	(161,406)	432,462	18,144	25,294	(1,854)	(8,070)	–	(42,799)	(7,056)	69,224	654,616	(169,271)	485,345

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18			Asset movements during the reporting period					as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	12,810	–	12,810	915	66,297	–	–	(1,011)	79,011	–	79,011
Plant and equipment	19,571	(10,518)	9,053	1,136	1,210	(375)	(1,225)	–	20,902	(11,103)	9,799
Office equipment	3,581	(2,740)	841	1,000	–	–	(422)	–	4,578	(3,159)	1,419
Furniture and fittings	2,889	(2,385)	504	242	–	–	(113)	–	3,131	(2,498)	633
Land:											
– Operational land	40,284	–	40,284	–	71	(640)	–	–	39,715	–	39,715
– Community land	59,990	–	59,990	371	–	–	–	–	60,361	–	60,361
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	984	–	984	–	–	–	–	2	986	–	986
Land improvements – depreciable	725	(394)	331	–	–	(8)	(20)	–	720	(417)	303
Infrastructure:											
– Buildings – non-specialised	17,574	(5,873)	11,701	281	131	(9)	(478)	–	19,385	(7,759)	11,626
– Buildings – specialised	96,965	(48,833)	48,132	1,081	523	(246)	(1,347)	7	96,989	(48,839)	48,150
– Other structures	11,617	(5,332)	6,285	–	41	(5)	(123)	9	12,023	(5,816)	6,207
– Roads	143,166	(55,099)	88,067	2,261	3,034	(284)	(2,258)	751	145,831	(54,260)	91,571
– Bridges	15,218	(6,341)	8,877	20	359	–	(161)	–	14,979	(5,884)	9,095
– Footpaths	13,609	(4,785)	8,824	134	1,118	–	(269)	28	15,065	(5,230)	9,835
– Bulk earthworks (non-depreciable)	23,487	–	23,487	8	–	(46)	–	–	23,449	–	23,449
– Stormwater drainage	37,349	(9,590)	27,759	375	263	(126)	(304)	135	37,942	(9,840)	28,102
– Swimming pools	461	(259)	202	–	–	–	(8)	–	461	(267)	194
– Other open space/recreational assets	13,129	(4,534)	8,595	722	2,287	–	(322)	79	16,082	(4,721)	11,361
Other assets:											
– Library books	1,918	(1,444)	474	61	21	–	(91)	–	2,000	(1,535)	465
– Other	120	(63)	57	–	111	–	(16)	–	230	(78)	152
Total Infrastructure, property, plant and equipment	515,475	(158,190)	357,285	8,607	75,466	(1,739)	(7,157)	–	593,868	(161,406)	432,462

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements apart from Buildings.

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

	as at 30/06/20			as at 30/06/19		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
\$ '000						
Water supply						
Land						
Sewerage services						
Land						
Domestic waste management						
Plant and equipment	3,779	2,617	1,162	3,639	2,852	787
Land						
– Operational land	425	–	425	425	–	425
Total DWM	4,204	2,617	1,587	4,064	2,852	1,212
TOTAL RESTRICTED IPP&E	4,204	2,617	1,587	4,064	2,852	1,212

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	126,163	82,051
Total owned investment property	126,163	82,051

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	82,051	81,269
– Capitalised expenditure – this year	–	354
– Net gain/(loss) from fair value adjustments	1,313	424
– Transfers from/(to) owner occupied (Note 11)	42,799	–
– Other movements	–	4
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	126,163	82,051

(b) Valuation basis

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

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

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

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

\$ '000	2020	2019
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(d) Leasing arrangements – Council as lessor (2019 only)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Investment properties (continued)

\$ '000	2020	2019
(e) Investment property income and expenditure – summary		
(2019 only)		
Rental income from investment property:		
– Minimum lease payments	–	39
Direct operating expenses on investment property:		
– that generated rental income	–	(85)
– that did not generate rental income	–	(841)
Net revenue contribution from investment property	–	(887)
plus:		
Fair value movement for year	–	424
Total income attributable to investment property	–	(463)

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 2020

Note 13. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Opening values at 1 July		
Gross book value	5,350	5,350
Net book value – opening balance	5,350	5,350
Movements for the year		
Closing values at 30 June		
Gross book value	5,350	5,350
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>5,350</u>	<u>5,350</u>

Accounting policy for intangible assets

IT development and software

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

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

Bed Licences

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Other		155	—
Total Contract assets		155	—

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	443	—
Total grants received in advance		443	—
User fees and charges received in advance:			
Other	(ii)	909	—
Total user fees and charges received in advance		909	—
Total contract liabilities		1,352	—

Notes

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

(ii) Deposits received in advance for the Holiday Parks do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue in the following financial year.

\$ '000		2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets			
Externally restricted assets			
Unspent grants held as contract liabilities (excl. Water & Sewer)		443	—
Contract liabilities relating to externally restricted assets		443	—
Total contract liabilities relating to restricted assets		443	—
Total contract liabilities relating to unrestricted assets		909	—
Total contract liabilities		1,352	—

\$ '000	2020
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(ii) Revenue recognised (during the financial year) from opening contract liability balances

Grants and contributions received in advance:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities (continued)

\$ '000	2020
Operating grants (received prior to performance obligation being satisfied)	443
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	443

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

(c) Contract cost assets

(i) The contract cost asset relates to the costs to recruit employees for specific grant programs and material developed to promote the program.

Accounting policy for contract cost assets

Council recognises assets relating to the costs incurred to fulfil a contract that are directly related to the contract provided they will be recovered through performance of the contract.

Costs to fulfill a contract

Where costs are incurred to fulfil a contract, they are accounted for under the relevant accounting standard (if appropriate), otherwise if the costs relate directly to a contract, the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and the costs are expected to be recovered then they are capitalised as contract costs assets and released to the income statement on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases

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

(i) Council as a lessee

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

Terms and conditions of leases

- i. Land and buildings - Council office, car park space, office accommodation, and SES office
- ii. Office and IT equipment - photocopiers

Buildings

Council leases land and buildings for their corporate offices and other buildings; the leases are generally between 2 and 5 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for 3 years with 2 years renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$130,000 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

\$ '000	Plant & Equipment	Ready to use	Total
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	184	270	454
Depreciation charge	(31)	(146)	(177)
RIGHT OF USE ASSETS	153	124	277

\$ '000	2020 Current	2020 Non-current
Lease liabilities	115	170
TOTAL LEASE LIABILITIES	115	170

(i) The maturity analysis

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	115	170	–	285	285

\$ '000	2020 Current	2020 Non-current
(ii) Lease liabilities relating to restricted assets		
Total lease liabilities relating to unrestricted assets	115	170
<u>Total lease liabilities</u>	<u>115</u>	<u>170</u>

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

(c) Income Statement

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

Interest on lease liabilities	22
Depreciation of right of use assets	177
Expenses relating to short-term leases	10
Expenses relating to low-value leases	7
	<u>216</u>

(d) Statement of Cash Flows

Total cash outflow for leases	115
	<u>115</u>

Leases at significantly below market value – concessionary / peppercorn leases

Council does not have the concessionary and peppercorn leases in place that are individually material from a statement of financial position or performance perspective as at the reporting date.

Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

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

Refer to Note 5c and Note 16.

(e) Operating leases

\$ '000	2020
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Investment properties

(iii) Repairs and maintenance: investment property

Contractual obligations for future repairs and maintenance

Total repairs and maintenance: investment property

207

207

(f) Finance leases

Council has sub-leased some properties which are on Crown land to community organisations and has classified these as finance leases since the sub-lease is for the remaining life of the Council's lease to the Crown.

(i) Maturity analysis of lease receivable

Maturity analysis of lease receivable showing the undiscounted lease payments to be received after reporting date for finance leases:

Accounting policy

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

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

Note 16. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Government departments and agencies	78	—	—	—
Prepaid rates	299	—	—	—
Goods and services – operating expenditure	3,391	—	8,872	—
Accrued expenses:				
– Borrowings	607	—	—	—
– Salaries and wages	463	—	—	—
– Other expenditure accruals	2,016	—	915	—
Residential aged care accommodation bonds	22,439	—	9,670	—
Retirement village loan licence agreement	7,149	66,752	56,253	—
Security bonds, deposits and retentions	1,874	—	1,858	—
Retirement village care packages	689	—	585	—
ELE oncosts	173	15	147	5
Other	58	—	—	—
Total payables	39,236	66,767	78,300	5
Income received in advance (2019 only)				
Payments received in advance	—	—	961	—
Total income received in advance	—	—	961	—
Borrowings				
Loans – secured ¹	1,026	5,269	497	1,544
Government advances	368	48,840	208	60,208
Total borrowings	1,394	54,109	705	61,752
TOTAL PAYABLES AND BORROWINGS	40,630	120,876	79,966	61,757

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Total payables and borrowings relating to unrestricted assets	40,630	120,876	79,966	61,757
TOTAL PAYABLES AND BORROWINGS	40,630	120,876	79,966	61,757

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

\$ '000	2020	2019
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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	29,588	65,923
Total payables and borrowings	29,588	65,923

(c) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,041	(746)	5,000	–	–	–	6,295
Government advances	60,416	(17,479)	4,000	2,271	–	–	49,208
Lease liabilities	–	(169)	–	–	454	–	285
TOTAL	62,457	(18,394)	9,000	2,271	454	–	55,788

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	2,592	(551)	–	–	–	–	2,041
Government advances	758	59,658	–	–	–	–	60,416
TOTAL	3,350	59,107	–	–	–	–	62,457

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

Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	400	156
Total financing arrangements	2,400	2,156

Drawn facilities as at balance date:

– Credit cards/purchase cards	66	43
Total drawn financing arrangements	66	43

Undrawn facilities as at balance date:

– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	334	113
Total undrawn financing arrangements	2,334	2,113

Additional financing arrangements information**Breaches and defaults**

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

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

Security over loans

loans secured over future cash flows

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Finance leases (2019 only)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	2,697	–	2,064	–
Sick leave	501	–	477	–
Long service leave	3,935	658	4,376	229
ELE on-costs	646	63	325	–
Sub-total – aggregate employee benefits	7,779	721	7,242	229
TOTAL PROVISIONS	7,779	721	7,242	229

(a) Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	7,779	721	7,242	229
TOTAL PROVISIONS	7,779	721	7,242	229

\$ '000	2020	2019
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(b) Current provisions not anticipated to be settled within the next twelve months

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

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

(c) Description of and movements in provisions

ELE provisions						
\$ '000	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	Total
2020						
At beginning of year	2,064	477	4,605	325	–	7,471
Other	633	24	(12)	384	–	1,029
Total ELE provisions at end of year	2,697	501	4,593	709	–	8,500
2019						
At beginning of year	1,840	640	4,282	294	–	7,056
Additional provisions	1,785	–	489	31	–	2,305
Amounts used (payments)	(1,526)	(163)	(404)	–	–	(2,093)
Remeasurement effects	111	–	238	–	–	349
Other	(516)	–	61	(31)	339	(147)
Total ELE provisions at end of year	1,694	477	4,666	294	339	7,470

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 7(c).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

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

Other reserves

Changes in the bed licences fair value of Blue Haven Retirement Village in accordance with an independent valuation report at 30 June 2018.

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

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

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

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

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

Council outlines in below the nature of any changes in accounting policies resulting from the adoption of AASB 15 and AASB 1058.

Costs incurred in fulfilling customer contracts

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

Upfront fees – Council leisure centre

Prior to adopting AASB 15, the Council recognised deposits in advance for Holiday Parks on receipt. Under AASB 15, since the advance deposits do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer.

Revenue recognition from contract modifications

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

Principal v agent

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

In addition to the above changes in accounting policies, Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	909
– Under AASB 1058	802
Total Contract liabilities	1,711

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	13,946	—	—	13,946	
Investments	11,000	—	—	11,000	
Receivables	2,326	—	—	2,326	
Inventories	201	—	—	201	
Contract assets	155	—	(155)	—	
Current assets classified as 'held for sale'	3,752	—	—	3,752	
Total current assets	31,380	—	(155)	31,225	
Current liabilities					
Payables	39,236	—	(299)	38,937	(i)
Income received in advance	—	909	—	909	(ii)
Contract liabilities	1,352	(909)	(443)	—	(iii)
Lease liabilities	115	—	—	115	
Borrowings	1,394	—	—	1,394	
Provisions	7,779	—	—	7,779	
Total current liabilities	49,876	—	(742)	49,134	
Non-current assets					
Investments	1,009	—	—	1,009	
Receivables	233	—	—	233	
Infrastructure, property, plant and equipment	485,345	—	—	485,345	
Investment property	126,163	—	—	126,163	
Intangible assets	5,350	—	—	5,350	
Right of use assets	277	—	—	277	
Investments accounted for using equity method	59	—	—	59	
Total non-current assets	618,436	—	—	618,436	
Non-current liabilities					
Payables	66,767	—	—	66,767	
Lease liabilities	170	—	—	170	
Borrowings	54,109	—	—	54,109	
Provisions	721	—	—	721	
Total Non-current liabilities	121,767	—	—	121,767	
Net assets	478,173	—	587	478,760	
Equity					
Accumulated surplus	226,245	—	(587)	225,658	(iv)
Revaluation reserves	248,978	—	—	248,978	
Other reserves	2,950	—	—	2,950	
Council equity interest	478,173	—	(587)	477,586	
Total equity	478,173	—	(587)	477,586	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

- (i) Deferred income (prepaid rates) under AASB 1058.
(ii) Elimination of Holiday Parks advance deposits under AASB 15
(iii) Holiday Parks advance deposits under AASB 15, and unexpended grants for council assets under AASB 1058
(iv) Elimination of deferred income (prepaid rates) under AASB 1058, and unexpended grants under AASB 1058

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Income from continuing operations					
Rates and annual charges	23,713	—	299	24,012	(i)
User charges and fees	20,322	—	—	20,322	
Other revenues	4,711	—	—	4,711	
Grants and contributions provided for operating purposes	10,452	—	—	10,452	
Grants and contributions provided for capital purposes	11,352	—	(514)	10,838	
Interest and investment income	460	—	—	460	
Fair value increment on investment properties	1,313	—	—	1,313	
Total Income from continuing operations	72,323	—	(215)	72,108	
Expenses from continuing operations					
Employee benefits and on-costs	33,393	—	—	33,393	
Borrowing costs	799	—	—	799	
Materials and contracts	21,260	—	—	21,260	
Depreciation and amortisation	8,247	—	—	8,247	
Other expenses	3,903	—	—	3,903	
Net losses from the disposal of assets	1,210	—	—	1,210	
Net share of interests in joint ventures and associates using the equity method	115	—	—	115	
Total Expenses from continuing operations	68,927	—	—	68,927	
Total Operating result from continuing operations	3,396	—	(215)	3,181	
Net operating result for the year	3,396	—	(215)	3,181	
Total comprehensive income	65,564	—	—	65,564	

- (i) Deferred income (prepaid rates) under AASB 1058

Adjustments to the current year figures for the year ended 30 June 2020**Statement of Financial Position**

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total assets	–	–	–
Contract liabilities	–	802	802
Total liabilities	149,194	802	149,996
Accumulated surplus	223,651	(802)	222,849
Total equity	(149,194)	(802)	(149,996)

(iii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

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

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$454,382 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.96%.

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

6

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the
incremental borrowing rate at 1 July 2019
Lease liabilities recognised at 1 July 2019

454

454

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Adjustments to the current year figures for the year ended 30 June 2020**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	—	454	454
Total assets	—	454	454
Payables – accrued interest on leases (30/6/2019)	—	—	—
Leases	—	454	454
Total liabilities	—	454	454
Accumulated surplus	—	—	—
Total equity	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	13,946	18,141
Balance as per the Statement of Cash Flows		13,946	18,141
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,396	14,104
Adjust for non-cash items:			
Depreciation and amortisation		8,247	7,157
Net losses/(gains) on disposal of assets		1,210	1,283
Adoption of AASB 15/1058		(802)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	(24)
– Investment property		(1,313)	(778)
– Fair valuation adjustment (re-measurement) of existing loans to Council		32	–
Share of net (profits)/losses of associates/joint ventures using the equity method		115	53
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		365	(357)
Increase/(decrease) in provision for impairment of receivables		(16)	–
Decrease/(increase) in inventories		58	(67)
Decrease/(increase) in contract assets		(155)	–
Increase/(decrease) in payables		(5,481)	3,989
Increase/(decrease) in accrued interest payable		607	–
Increase/(decrease) in other accrued expenses payable		1,564	871
Increase/(decrease) in other liabilities		(370)	378
Increase/(decrease) in contract liabilities		1,352	–
Increase/(decrease) in provision for employee benefits		1,029	415
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,838	27,024

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	(115)	(53)	59	174
Total	(115)	(53)	59	174

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

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

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

(b) Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020	2019
CivikRisk Metro	Joint venture	Net equity	53	123
CivikRisk West	Joint venture	Net equity	6	51
Total carrying amounts – material joint ventures			59	174

(b) Details

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

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2020	2019	2020	2019	2020	2019
Metro Pool	0.4%	0.8%	0.0%	0.8%	0.0%	16.7%
United Independent Pool	0.1%	0.7%	0.0%	0.7%	0.0%	5.9%

(d) Summarised financial information for joint ventures

\$ '000	Metro Pool		United Independent Pool	
	2020	2019	2020	2019

Statement of financial position

Current assets

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities (continued)

\$ '000	Metro Pool		United Independent Pool	
	2020	2019	2020	2019
Cash and cash equivalents	9,281	254	6,177	1,813
Other current assets	5,781	9,901	5,925	7,215
Non-current assets	6,711	12,769	5,102	5,368
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	1,762	312	5,923	4,232
Other current liabilities	3,451	1,313	490	345
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	3,796	6,651	3,635	2,279
Net assets	12,764	14,648	7,156	7,540
Reconciliation of the carrying amount				
Opening net assets (1 July)	14,648	13,549	7,540	8,769
Profit/(loss) for the period	(289)	1,099	211	(1,229)
Closing net assets	14,359	14,648	7,751	7,540
Council's share of net assets (%)	0.4%	0.8%	0.1%	0.7%
Council's share of net assets (\$)	51	117	7	53
Statement of comprehensive income				
Income	2,116	3,129	14,679	11,320
Interest income	271	1,013	205	448
Other expenses	(2,676)	(3,043)	(14,673)	(13,292)
Profit/(loss) from continuing operations	(289)	1,099	211	(1,524)
Profit/(loss) for the period	(289)	1,099	211	(1,524)
Total comprehensive income	(289)	1,099	211	(1,524)
Summarised Statement of cash flows				
Cash flows from operating activities	1,511	(1,436)	1,614	2,904
Cash flows from investing activities	7,516	470	2,750	(2,250)
Net increase (decrease) in cash and cash equivalents	9,027	(966)	4,364	654

(c) Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2020	2019
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Kiama District Tourist Commerce and Industrial Association Limited (Kiama Tourism)

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities (continued)

Nature of risks relating to the Unconsolidated Structured Entity

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

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

Current intention to provide financial support

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

\$ '000	2020	2019
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Illawarra Shoalhaven Joint Organisation (ISJO)

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

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

Nature of risks relating to the Unconsolidated Structured Entity

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

Losses (or expenses) incurred by Council relating to the Structured Entity	55	54
Income received by Council relating to the Structured Entity		
Administration fee	18	26
Maximum exposure to loss from Council's interest in the Structured Entity	55	54
Difference – net asset/(net exposure) relating to the Structured Entity:	(55)	(54)

Current intention to provide financial support

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Commitments

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

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

Property, plant and equipment

Buildings	–	15,152
Plant and equipment	3,135	–

Investment property

– Buildings	–	11,798
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Total commitments	3,135	26,950
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These expenditures are payable as follows:

Within the next year	783	26,950
Later than one year and not later than 5 years	2,352	–

Total payable	3,135	26,950
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Sources for funding of capital commitments:

Unrestricted general funds	3,135	–
Future grants and contributions	–	9,918
Externally restricted reserves	–	2,200
Internally restricted reserves	–	14,832

Total sources of funding	3,135	26,950
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Details of capital commitments

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

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

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

Within the next year	–	6
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Total non-cancellable operating lease commitments	–	6
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b. Non-cancellable operating leases include the following assets:

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

(c) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 20 (c)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member 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 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$435,175. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$423,203 for the year ended 30 June 2020. Council's expected contribution to the plan for the next annual reporting period is \$221,900.

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

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

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

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	13,946	18,141	13,964	18,141
Receivables	2,559	2,908	5,346	2,908
Investments				
– 'Financial assets at amortised cost'	12,009	17,510	12,009	17,510
Total financial assets	28,514	38,559	31,319	38,559
Financial liabilities				
Payables	106,003	78,305	108,750	78,305
Loans/advances	55,503	62,457	55,503	62,458
Lease liabilities	285	–	285	–
Total financial liabilities	161,791	140,762	164,538	140,763

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	1,610	1,610	(1,610)	(1,610)
Possible impact of a 1% movement in interest rates	260	260	(260)	(260)
2019				
Possible impact of a 10% movement in market values	2,901	2,901	(2,901)	(2,901)
Possible impact of a 1% movement in interest rates	77	77	(77)	(77)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
Gross carrying amount	415	10	10	9	9	453
2019						
Gross carrying amount	388	–	–	–	–	388

Receivables - non-rates and annual charges

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	1,393	90	39	13	635	2,170
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2019						
Gross carrying amount	1,779	52	33	399	337	2,600
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	1,874	41,592	66,923	–	110,389	105,704
Loans and advances	5.30%	–	3,035	53,611	5,324	61,970	55,503
Total financial liabilities		1,874	44,627	120,534	5,324	172,359	161,207

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	1,858	76,429	—	—	78,287	78,305
Loans and advances	0.00%	—	705	62,073	—	62,778	62,457
Total financial liabilities		1,858	77,134	62,073	—	141,065	140,762

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations

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

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	23,839	23,713	(126)	(1)% U
User charges and fees	20,956	20,322	(634)	(3)% U
Other revenues	3,420	4,711	1,291	38% F
Other Revenues has a variance due to a new income source "Return & Earn", variable income sources such as legal reimbursements and other variable or cumulative one off minor income sources				
Operating grants and contributions	11,412	10,452	(960)	(8)% U
Capital grants and contributions	12,731	11,352	(1,379)	(11)% U
Capital grants and contributions are impacted by the timing of milestone payments from Department of Infrastructure for the Gerringong Library & Museum capital project.				
Interest and investment revenue	1,043	460	(583)	(56)% U
Interest and Investment Income is lower due to the financial market impact of lower interest rates and the timing of sales from the the Blue Haven Independent Living Units.				
Fair value increment on investment property	–	1,313	1,313	∞ F
EXPENSES				
Employee benefits and on-costs	28,914	33,393	(4,479)	(15)% U
Employee benefits and on-costs has been impacted the start up of the new and larger aged care facility Blue Haven Bonaira which became operational during the financial year.				
Borrowing costs	1,127	799	328	29% F
Materials and contracts	18,831	21,260	(2,429)	(13)% U
Materials and Contracts has been impacted the start up of the new and larger aged care facility Blue Haven Bonaira which became operational during the financial year.				
Depreciation and amortisation	7,437	8,247	(810)	(11)% U
Depreciation has been impacted the start up of the new and larger aged care facility Blue Haven Bonaira which became operational during the financial year which in total cost over \$100m. Timing of recognising other new assets during the year also increased the depreciation.				
Other expenses	4,155	3,903	252	6% F
Net losses from disposal of assets	–	1,210	(1,210)	∞ U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Joint ventures and associates – net losses	–	115	(115)	∞ U

STATEMENT OF CASH FLOWS

Cash flows from operating activities	13,035	9,838	(3,197)	(25)% U
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Cash flow from operating activities has been impacted by the start up of the new and larger aged care facility Blue Haven Bonaira which became operational during the financial year with increased cost to due to establishing of new ways of operating.

Cash flows from investing activities	(34,995)	(37,295)	(2,300)	7% U
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Cash flows from financing activities	24,581	23,262	(1,319)	(5)% U
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement

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

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

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

- Non-current assets classified as 'held for sale'
- Discontinued operations

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Investment property					
Blue Haven ILU	30/06/17	–	126,163	–	126,163
Total investment property		–	126,163	–	126,163
Infrastructure, property, plant and equipment					
Work in Progress		–	–	1,560	1,560
Plant and equipment		–	–	14,880	14,880
Office equipment		–	–	1,694	1,694
Furniture and fittings		–	–	1,016	1,016
Operational land	30/06/18	–	41,114	–	41,114
Community land	30/06/20	–	–	82,292	82,292
Land under roads		–	–	28	28
Land improvements – non-depreciable		–	–	4,731	4,731
Land improvements – depreciable		–	–	1,592	1,592
Buildings – non-specialised	30/06/18	–	15,032	–	15,032
Buildings – specialised	30/06/18	–	95,649	–	95,649
Roads bridges footpaths	30/06/20	–	–	158,028	158,028
Stormwater drainage		–	–	28,051	28,051
Bulk earthworks – non depreciable	30/06/20	–	–	22,287	22,287
Other Open Space Recreation Assets		–	–	11,109	11,109
Library books		–	–	450	450
Other		–	–	5,832	5,832
Total infrastructure, property, plant and equipment		–	151,795	333,550	485,345

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

2020		Fair value measurement hierarchy			
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
\$ '000					
Non-current assets classified as 'held for sale'					
Land	30/06/17	–	–	3,752	3,752
Total NCA's classified as 'held for sale'		–	–	3,752	3,752
2019		Fair value measurement hierarchy			
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
\$ '000					
Recurring fair value measurements					
Investment property					
Blue Haven ILU	30/06/17	–	80,260	–	80,260
Other		–	–	1,787	1,787
Total investment property		–	80,260	1,787	82,047
Infrastructure, property, plant and equipment					
Work in Progress		–	–	79,011	79,011
Plant and equipment		–	–	9,800	9,800
Office equipment		–	–	1,419	1,419
Furniture and fittings		–	–	633	633
Operational land	30/06/18	–	39,715	–	39,715
Community land		–	–	60,361	60,361
Land under roads		–	–	28	28
Land improvements – non-depreciable		–	–	986	986
Land improvements – depreciable		–	–	303	303
Buildings – non-specialised	30/06/18	–	11,626	–	11,626
Buildings – specialised	30/06/18	–	48,150	–	48,150
Roads bridges footpaths	30/06/15	–	–	110,501	110,501
Stormwater drainage	30/06/15	–	–	28,102	28,102
Bulk earthworks – non depreciable	30/06/15	–	–	23,449	23,449
Other Open Space Recreation Assets		–	–	11,361	11,361
Swimming Pools		–	–	194	194
Other structures		–	–	6,207	6,207
Library books		–	–	465	465
Other		–	–	152	152
Total infrastructure, property, plant and equipment		–	99,491	332,972	432,463
Non-current assets classified as 'held for sale'					
Land		–	–	3,750	3,750
Total NCA's classified as 'held for sale'		–	–	3,750	3,750

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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

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

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

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

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

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

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

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

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

Financial assets

Held for Trading

These investments are represented by FRN's. Council obtains valuations from its Investment Custodian, Sandhurst Trustees Limited, on a monthly basis and at the end of the reporting period to ensure the financial statements reflect the most up-to-date valuation. The valuations quoted are either sourced from market providers and participants or calculated using Sandhurst Trustees Limited's own internal models and calculation methods and is based on or uses other available pricing information where considered relevant. Numerous factors may affect the information, which may or may not have been taken into account. The information provided may vary significantly from information obtained from other sources or other market participants.

There are no observable inputs for this class of Financial Asset and there has been no change to the valuation process during the reporting period.

Investment property

Council obtains independent valuations of its investment property every 3 years by a qualified valuer who has experience in the location of the property. Every other year a desktop valuation is obtained. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 2 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

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

As at 30 June 2020 the valuation for the Investment properties was calculated by applying an index to the valuation as at 30 June 2017. The index applied was 1.00%.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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

Plant & Equipment, Office Equipment and Furniture & Fittings

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

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

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

Operational Land

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

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

Community Land

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

Council has undertaken the revaluation process of the community land based on the Valuer-General land values as at the reporting date.

Land under Roads

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

Land Improvements – non depreciable

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

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

Land Improvements – depreciable

This asset class comprises land improvements such as playgrounds. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Buildings – Specialised and Non Specialised

Buildings valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd. The approach taken was to componentise each building into significant parts with different useful lives and took into account a range of factors. While all buildings were inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets are classified as being valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class includes sporting facilities, park furniture, signs, skate facilities etc. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Council has undertaken the revaluation process of the roads infrastructure assets based on the 'Cost Approach' as at the reporting date.

Bulk Earthworks – non depreciable

The 'Cost Approach' estimated the replacement cost for each asset. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Council has undertaken the revaluation process of the bulk earthworks based on the 'Cost Approach' as at the reporting date.

Stormwater Drainage

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

Library Books

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

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

Other

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Non-current assets classified as 'held for sale'

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

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

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

\$ '000	Investment property Blue Haven ILU	Investment property other	Plant and equipment	Office equipment	Furniture and fittings
2019					
Opening balance	79,500	1,319	9,054	841	504
Purchases (GBV)	–	–	2,346	1,000	242
Disposals (WDV)	–	–	(375)	–	–
Depreciation and impairment	–	–	(1,225)	(422)	(113)
FV gains – other comprehensive income	760	18	–	–	–
Closing balance	80,260	1,337	9,800	1,419	633
2020					
Opening balance	82,051	–	9,800	1,419	633
Transfers from/(to) another asset class	42,799	–	97	690	73
Purchases (GBV)	–	–	7,024	138	480
Disposals (WDV)	–	–	(802)	–	–
Depreciation and impairment	–	–	(1,239)	(552)	(170)
FV gains – other comprehensive income	1,313	–	–	–	–
Closing balance	126,163	–	14,880	1,695	1,016

\$ '000	Operational land	Community land	Land under roads	Land improvements non-depreciable	Land improvements depreciable
2019					
Opening balance	40,283	59,990	28	984	331
Transfers from/(to) another asset class	–	–	–	2	–
Purchases (GBV)	71	371	–	–	–
Disposals (WDV)	(640)	–	–	–	(8)
Depreciation and impairment	–	–	–	–	(20)
Closing balance	39,714	60,361	28	986	303
2020					
Opening balance	39,714	60,361	28	986	303
Transfers from/(to) another asset class	1,400	1,591	–	1,942	1,131
Purchases (GBV)	–	1,214	–	1,954	430
Disposals (WDV)	–	–	–	(131)	(138)
Depreciation and impairment	–	–	–	(20)	(133)
FV gains – other comprehensive income	–	19,126	–	–	–
Closing balance	41,114	82,292	28	4,731	1,593

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

\$ '000	Buildings non-specialis ed	Building specialised	Other structures	Roads	Bulk earthworks
\$ '000	Buildings non-specialis ed	Building specialised	Other structures	Roads	Bulk earthworks
2019					
Opening balance	11,701	48,023	6,285	106,615	23,804
Transfers from/(to) another asset class	—	7	9	779	—
Purchases (GBV)	412	1,604	41	6,926	8
Disposals (WDV)	(9)	(246)	(5)	(284)	(46)
Depreciation and impairment	(478)	(1,347)	(123)	(2,688)	—
Closing balance	11,626	48,041	6,207	111,348	23,766
2020					
Opening balance	11,734	48,041	17,763	110,502	23,449
Transfers from/(to) another asset class	816	(3,475)	(7,500)	(2,823)	(443)
Purchases (GBV)	3,077	53,303	1,231	2,778	5,251
Disposals (WDV)	(572)	—	—	(179)	—
Depreciation and impairment	(487)	(1,757)	(385)	(2,792)	—
FV gains – other comprehensive income	—	—	—	50,542	(5,970)
Closing balance	14,568	96,112	11,109	158,028	22,287
\$ '000					
\$ '000					
2019					
Opening balance			27,576	474	8,854
Transfers from/(to) another asset class			135	—	79
Purchases (GBV)			638	82	3,120
Disposals (WDV)			(126)	—	—
Depreciation and impairment			(304)	(91)	(346)
Closing balance			27,919	465	11,707
2020					
Opening balance			28,102	465	152
Transfers from/(to) another asset class			—	—	4,970
Purchases (GBV)			274	76	861
Disposals (WDV)			(21)	—	(11)
Depreciation and impairment			(304)	(91)	(140)
Closing balance			28,051	450	5,832
\$ '000					
\$ '000					
2019					
Opening balance			12,810	3,729	442,705
Transfers from/(to) another asset class			(1,011)	—	—
Purchases (GBV)			67,212	—	84,073
Disposals (WDV)			—	—	(1,739)
Depreciation and impairment			—	—	(7,157)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

\$ '000	WIP	Held for Sale	Total
FV gains – other comprehensive income	–	–	778
Closing balance	79,011	3,729	518,660
2020			
Opening balance	79,011	3,752	518,266
Transfers from/(to) another asset class	(77,452)	–	(36,184)
Purchases (GBV)	–	–	78,091
Disposals (WDV)	–	–	(1,854)
Depreciation and impairment	–	–	(8,070)
FV gains – other comprehensive income	–	–	65,011
Closing balance	1,559	3,752	615,260

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

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

d. The valuation process for level 3 fair value measurements

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

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,510	1,616
Post-employment benefits	—	84
Termination benefits	38	136
Total	1,548	1,836

(b) Other transactions with KMP and their related parties

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

Note 27. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
Traffic facilities	92		39	–	1	–	–	132	–
Parking	253		–	–	3	–	–	256	–
Open space	(27)		–	–	–	–	–	(27)	–
Community facilities	1,428		268	–	15	–	–	1,711	–
Other – Council chambers	2,331		83	–	2	(2,200)	–	216	–
Other	106		3	–	1	–	–	110	–
S7.11 contributions – under a plan	4,183		393	–	22	(2,200)	–	2,398	–
S7.12 levies – under a plan	1,175		945	–	15	(178)	–	1,957	–
Total S7.11 and S7.12 revenue under plans	5,358		1,338	–	37	(2,378)	–	4,355	–
Total contributions	5,358		1,338	–	37	(2,378)	–	4,355	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 1

Traffic facilities	67	25	–	1	–	–	93	–
Community facilities	1,031	225	–	12	–	–	1,268	–
Other – Council chambers	2,331	83	–	2	(2,200)	–	216	–
Other	102	2	–	1	–	–	105	–
Total	3,531	335	–	16	(2,200)	–	1,682	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN NUMBER 2								
Traffic facilities	12	3	–	–	–	–	15	–
Community facilities	180	22	–	2	–	–	204	–
Other	4	1	–	–	–	–	5	–
Total	196	26	–	2	–	–	224	–
CONTRIBUTION PLAN NUMBER 3								
Traffic facilities	9	11	–	–	–	–	20	–
Community facilities	10	21	–	1	–	–	32	–
Total	19	32	–	1	–	–	52	–
CONTRIBUTION PLAN NUMBER 4								
Parking	180	–	–	2	–	–	182	–
Total	180	–	–	2	–	–	182	–
CONTRIBUTION PLAN NUMBER 5								
Parking	73	–	–	1	–	–	74	–
Total	73	–	–	1	–	–	74	–
CONTRIBUTION PLAN NUMBER 7								
Traffic facilities	(17)	–	–	–	–	–	(17)	–
Open space	(28)	–	–	–	–	–	(28)	–
Community facilities	200	–	–	–	–	–	200	–
Total	155	–	–	–	–	–	155	–
CONTRIBUTION PLAN NUMBER 7a								
Traffic facilities	21	–	–	–	–	–	21	–
Open space	1	–	–	–	–	–	1	–
Community facilities	7	–	–	–	–	–	7	–
Total	29	–	–	–	–	–	29	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER A								
Traffic facilities	222	280	–	3	(39)	–	466	–
Open space	953	665	–	12	(139)	–	1,491	–
Total	1,175	945	–	15	(178)	–	1,957	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Result by fund

\$ '000	General ¹ 2020
Income Statement by fund	
Income from continuing operations	
Rates and annual charges	23,713
User charges and fees	20,322
Interest and investment revenue	460
Other revenues	4,711
Grants and contributions provided for operating purposes	10,452
Grants and contributions provided for capital purposes	11,352
Fair value increment on investment property	1,313
Total income from continuing operations	72,323
Expenses from continuing operations	
Employee benefits and on-costs	33,393
Borrowing costs	799
Materials and contracts	21,260
Depreciation and amortisation	8,247
Other expenses	3,903
Net losses from the disposal of assets	1,210
Share of interests in joint ventures and associates using the equity method	115
Total expenses from continuing operations	68,927
Operating result from continuing operations	3,396
Net operating result for the year	3,396
Net operating result attributable to each council fund	3,396
Net operating result for the year before grants and contributions provided for capital purposes	(7,956)

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

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

\$ '000	General ¹ 2020
Statement of Financial Position by fund	
ASSETS	
Current assets	
Cash and cash equivalents	13,946
Investments	11,000
Receivables	2,326
Inventories	201
Contract assets	155
Non-current assets classified as 'held for sale'	3,752
Total current assets	31,380
Non-current assets	
Investments	1,009
Receivables	233

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Result by fund (continued)

\$ '000	General ¹ 2020
Infrastructure, property, plant and equipment	485,345
Investments accounted for using the equity method	59
Investment property	126,163
Intangible assets	5,350
Right of use assets	277
Total non-current assets	618,436
TOTAL ASSETS	649,816
LIABILITIES	
Current liabilities	
Payables	39,236
Contract liabilities	1,352
Lease liabilities	115
Borrowings	1,394
Provisions	7,779
Total current liabilities	49,876
Non-current liabilities	
Payables	66,767
Lease liabilities	170
Borrowings	54,109
Provisions	721
Total non-current liabilities	121,767
TOTAL LIABILITIES	171,643
Net assets	478,173
EQUITY	
Accumulated surplus	226,245
Revaluation reserves	248,978
Other reserves	2,950
Council equity interest	478,173
Total equity	478,173

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(7,944)	(13.32)%	(0.29)%	(1.61)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	59,658				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	49,206	69.29%	65.91%	78.41%	>60.00%
Total continuing operating revenue ¹	71,010				
3. Unrestricted current ratio					
Current assets less all external restrictions	19,785	1.00x	1.88x	2.58x	>1.50x
Current liabilities less specific purpose liabilities	19,845				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	1,102	0.06x	6.82x	10.73x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	16,954				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	389	1.61%	1.59%	1.55%	<10.00%
Rates, annual and extra charges collectible	24,107				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	24,946	3.78	8.73	9.09	>3.00
Monthly payments from cash flow of operating and financing activities	6,596	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Benchmark
	2020	2019	
1. Operating performance ratio			
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(13.32)%	(0.29)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹			
2. Own source operating revenue ratio			
Total continuing operating revenue excluding capital grants and contributions ¹	69.29%	65.91%	>60.00%
Total continuing operating revenue ¹			
3. Unrestricted current ratio			
Current assets less all external restrictions	1.00x	1.88x	>1.50x
Current liabilities less specific purpose liabilities			
4. Debt service cover ratio			
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	0.06x	6.82x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)			
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	1.61%	1.59%	<10.00%
Rates, annual and extra charges collectible			
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	3.78	8.73	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths

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

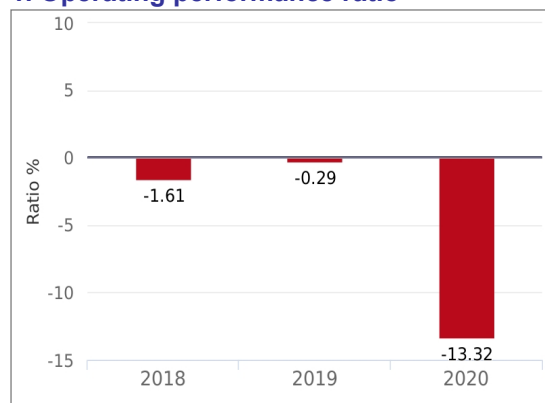
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (13.32)%

The impacts of COVID, reduction in the RBA cash rate and the increased costs due to opening of a new aged care facility including depreciation has dramatically increased the operating deficit. As operations stabilise the ratio will normalise.

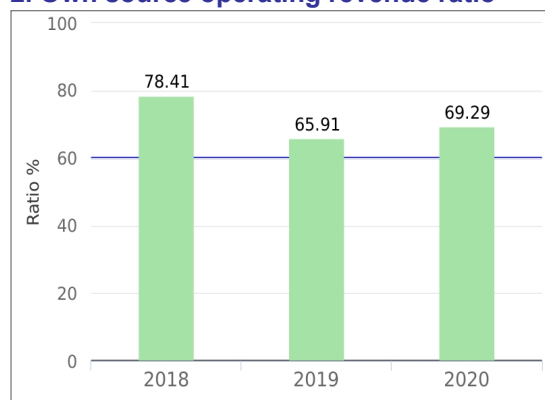
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 69.29%

The ratio fluctuates year on year as Council secures different sources of funding to support the community wants and needs.

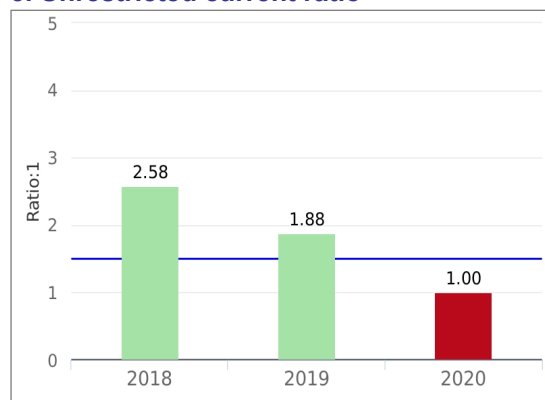
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.00x

Ratio is at a point in time, i.e. 30 June 2020. Timing of the independent living unit sales and land held for sale will materially affect this ratio.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

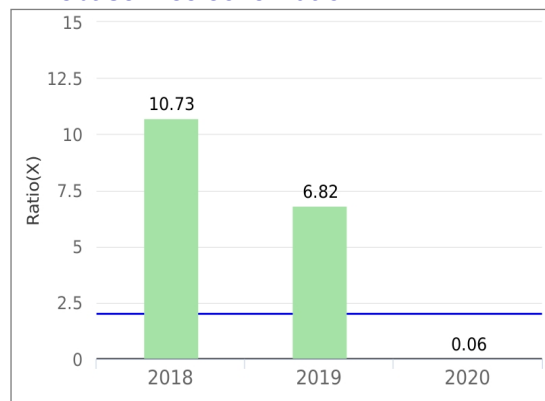
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 0.06x

Ratio impacted by the early repayment of \$15m principal to TCorp on the \$60m loan. If the repayment was excluded the ratio would be above the benchmark.

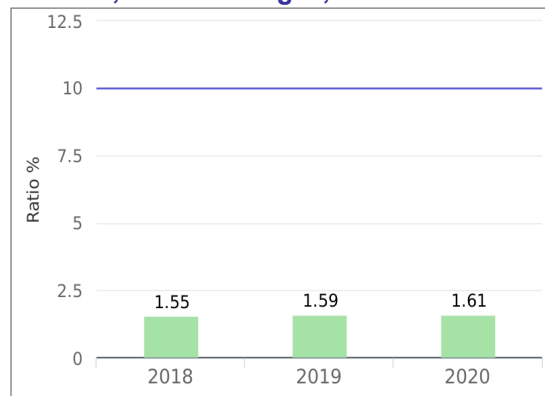
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 1.61%

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

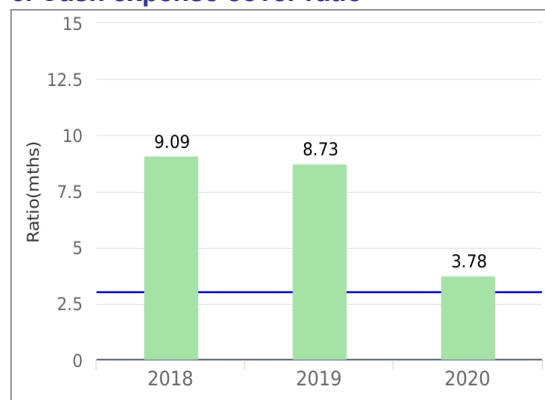
Benchmark: — < 10.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.78 mths

The reduction of this ratio has been due to the finalisation of the aged care facility and the timing of the independent living unit sales. The ratio will improve as cash increases.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 31. Segment reporting and Financial review

\$ '000	2020	2019	2018	2017	2016
Key financial figures of Council over the past 5 years					
Inflows:					
Rates and annual charges revenue	23,713	22,554	21,121	18,808	18,808
User charges revenue	20,322	20,555	19,440	17,376	17,376
Interest and investment revenue (losses)	460	1,337	1,015	1,677	1,677
Grants income – operating and capital	18,880	17,624	9,768	11,823	11,823
Total income from continuing operations	72,323	73,575	58,911	68,513	68,513
Sale proceeds from I,PP&E	864	455	1,615	1,034	1,034
New loan borrowings and advances	9,000	60,000	–	–	–
Outflows:					
Employee benefits and on-cost expenses	33,393	28,564	26,406	24,813	24,813
Borrowing costs	799	154	156	1	1
Materials and contracts expenses	21,260	18,680	18,781	17,172	17,172
Total expenses from continuing operations	68,927	59,471	58,773	53,177	53,177
Total cash purchases of I,PP&E	43,659	84,072	25,019	23,434	23,434
Total loan repayments (incl. finance leases)	16,163	893	440	1,694	1,694
Operating surplus/(deficit) (excl. capital income)	(7,956)	(702)	(2,773)	1,002	1,002
Financial position figures					
Current assets	31,657	38,757	39,121	43,028	43,028
Current liabilities	49,876	87,208	81,848	72,688	72,688
Net current assets	(18,219)	(48,451)	(42,727)	(29,660)	(29,660)
Available working capital (Unrestricted net current assets)	(33,227)	(72,142)	(67,451)	(58,180)	(58,180)
Cash and investments – unrestricted	314	504	573	283	283
Cash and investments – internal restrictions	13,037	23,715	24,999	29,441	29,441
Cash and investments – total	25,955	35,651	33,117	36,412	36,412
Total borrowings outstanding (Loans, advances and finance leases)	55,503	62,457	3,350	4,632	4,632
Total value of I,PP&E (excl. land and earthworks)	504,137	469,329	390,702	350,919	350,919
Total accumulated depreciation	169,271	161,406	158,190	142,594	142,594
Indicative remaining useful life (as a % of GBV)	66%	66%	60%	60%	59%

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

Note 32. Council information and contact details

Principal place of business:

11 Manning Street
Kiama NSW 2533

Notes to the Financial Statements

for the year ended 30 June 2020

Note 32. Council information and contact details (continued)

Contact details

Mailing Address:

PO Box75
Kiama NSW 2533

Opening hours:

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

Telephone: 02 4232 0444

Facsimile: 02 4232 0555

Internet: www.kiama.nsw.gov.au

Email: council@kiama.nsw.gov.au

Officers

General Manager

Kerry McMurray

Responsible Accounting Officer

David Mead

Public Officer

Sue Basa

Auditors

Audit Office of NSW
GPO Box 12, Sydney NSW 2001

Elected members

Mayor

Mark Honey

Councillors

Kathy Price
Matt Brown
Neil Reilly
Andrew Sloan
Warren Steel
Don Watson
Mark Way
Mark Westoff

Other information

ABN: 22 379 679 108

General Purpose Financial Statements
for the year ended 30 June 2020



INDEPENDENT AUDITOR'S REPORT

Report on the General Purpose Financial Statements

Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 24 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

5 February 2021
SYDNEY

General Purpose Financial Statements
for the year ended 30 June 2020



Mr Mark Honey
Mayor
Kiama Municipal Council
PO Box 75
KIAMA NSW 2533

Contact: Dominika Ryan
Phone no: 02 9275 7336
Our ref: D2101792/1747

5 February 2021

Dear Mayor

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

I have audited the General Purpose Financial Statements (GPFS) of the Kiama Municipal Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	23.7	22.6	4.9
Grants and contributions revenue	21.8	24.8	12.1
Operating result from continuing operations	3.4	14.1	75.9
Net operating result before capital grants and contributions	(8.0)	(0.7)	1043

The Council's operating result from continuing operations (\$3.4 million including depreciation and amortisation expense of \$8.2 million) was \$10.7 million lower than the 2018–19 result mainly due to an increase in employee benefits and on-costs and materials and contracts of \$9.9 million.

The net operating result before capital grants and contributions (\$8.0 million) was \$7.3 million lower than the 2018–19 result.

Rates and annual charges revenue (\$23.7 million) increased by \$1.1 million (4.9 per cent) in 2019–20. This was split as 5.8 per cent increase in rates revenue and 3.3 per cent increase in annual charges revenue. Rates increase was due to the IPART rate variation of 6.0 per cent and an increase in rateable properties by 0.3 per cent (10,843 rateable properties in 2019-20 compared to 10,810 properties last year). The annual charges increase was mainly a result of annual charge rate increase for domestic waste by 2.7 per cent.

Grants and contributions revenue (\$21.8 million) decreased by \$3.0 million (12.1 per cent) in 2019–20 due to:

- \$2.9 million of Restart infrastructure grants received in 2018-19 (NIL in the current year)
- \$4.6 million decrease in contributed assets received during the year
- increase of \$3.9 million of Blue Haven retirement village grants in 2019-20 (\$12.2 million and \$8.3 million in financial year 2019-20 and 2018-19 respectively).

STATEMENT OF CASH FLOWS

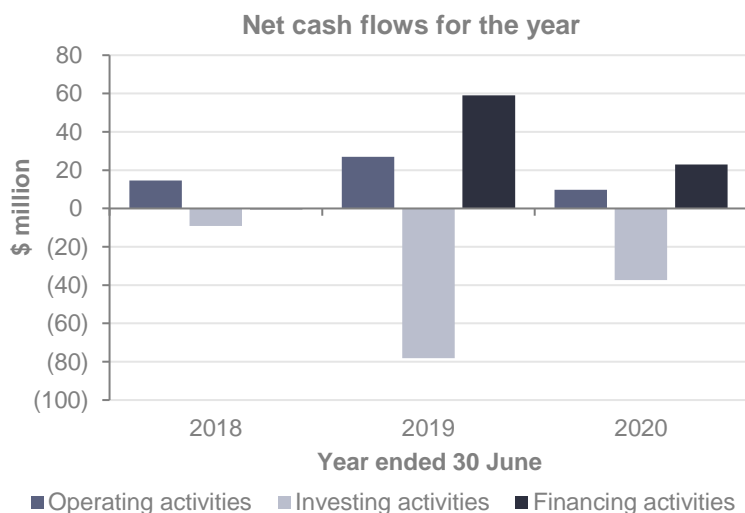
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of the Council during the year.

The Council's cash decreased by \$4.2 million.

Cash inflows from operating activities decreased from \$27.0 million in 2018-19 to \$9.8 million in 2019-20 mainly due to higher payments for materials and contracts, which increased by \$11.6 million, as well as the lower receipts from grants and contributions, which have decreased by \$3.6 million.

Cash outflows from investing activities decreased from \$78.1 million to \$37.3 million in 2018-19 and 2019-20 respectively. This is mainly attributable to the lower spending on infrastructure, property, plant and equipment during the year.

Cash inflows from financing activities decreased from \$59.1 million to \$23.3 million in 2018-19 and 2019-20 respectively. This is attributable to the lower proceeds from borrowings and advances, offset by the higher proceeds from Retirement Village. Additionally, in 2019-20, the Council made a higher repayment of borrowings and advances.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	12.6	11.4	External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges and levies.
Internal restrictions	13.0	23.7	
Unrestricted	0.3	0.5	
Cash and investments	25.9	35.6	Balances are internally restricted due to Council policy or decisions for forward plans including works program. The major drivers for the decrease are the internal restrictions relating to the holiday parks, land development and Blue Haven care - residential, which decreased by \$2.6 million, \$2.2 million and \$1.5 million respectively.
			Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

Performance measures

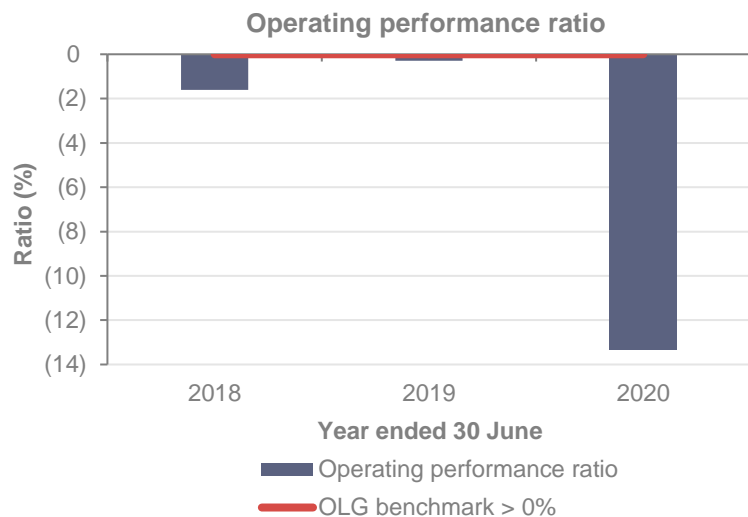
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

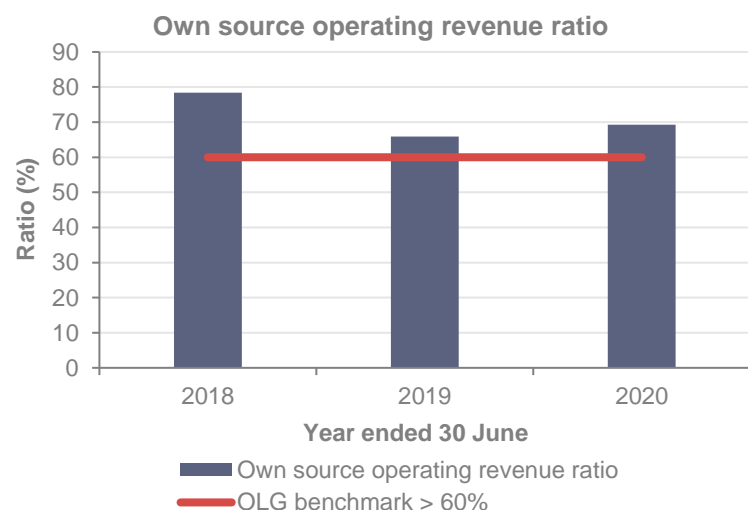
The impacts of COVID, reduction in the RBA cash rate and the increased costs due to opening of a new aged care facility including depreciation has dramatically increased the operating deficit.



Own source operating revenue ratio

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

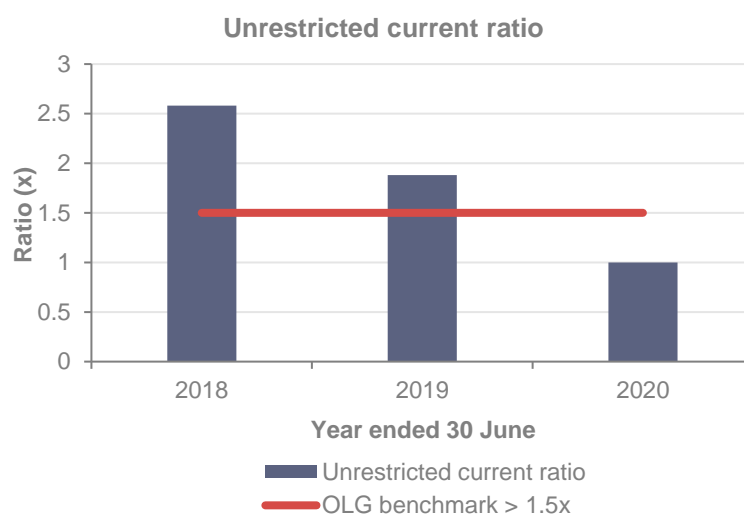
The Council's own source operating ratio of 69.3 per cent exceeded the OLG benchmark for the current reporting period. The ratio has improved from prior year.



Unrestricted current ratio

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

The Council did not meet the OLG benchmark for the current reporting period. This was mainly caused by decline in cash balance of \$4.2 million, whilst current liabilities balance less specific purpose liabilities remained consistent from prior year.

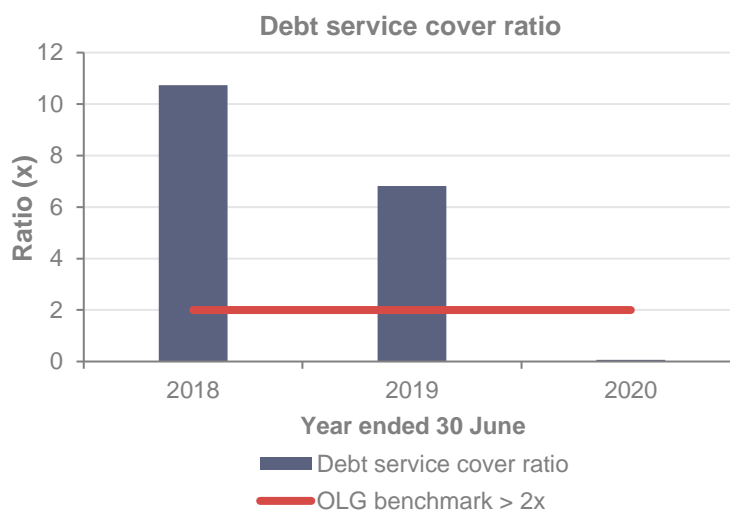


Debt service cover ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

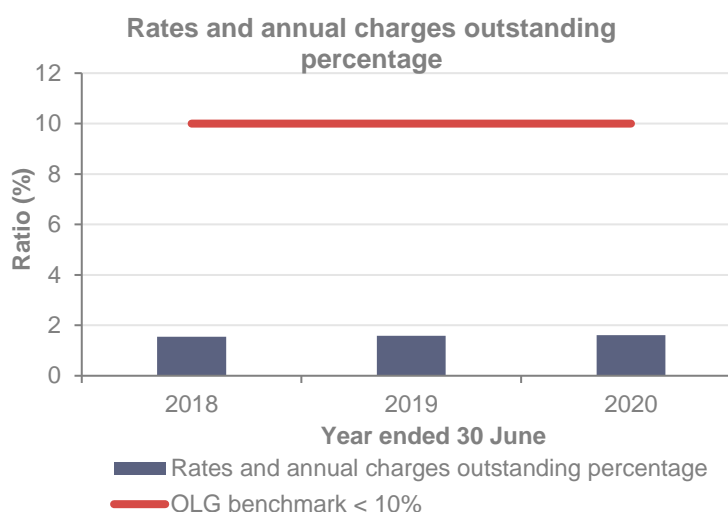
Ratio was mainly impacted by the early repayment of \$15.0 million principal to TCorp on the \$60.0 million loan during the year and the decline in operating result.



Rates, annual charges, interest and extra charges outstanding percentage

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

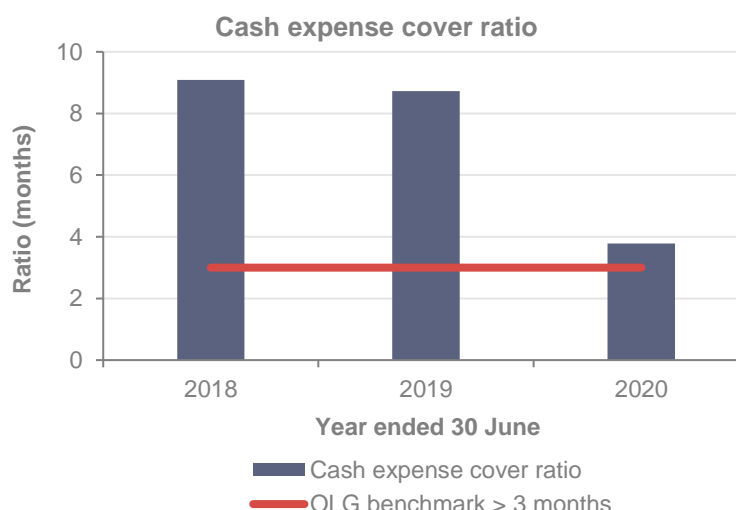
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



OTHER MATTERS

Impact of new accounting standards

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

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

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

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the

timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$801,720 adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 18.

AASB 16 'Leases'

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

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

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

The Council recognised right-of-use assets of \$454,000 and lease liabilities of \$454,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 15.

Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general-purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Dominika Ryan
Director, Financial Audit

cc: Ms Jessica Rippon, Acting General Manager

Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

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



Special Purpose Financial Statements

for the year ended 30 June 2020

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

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Kiama Municipal Council

Special Purpose Financial Statements for the year ended 30 June 2020

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

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

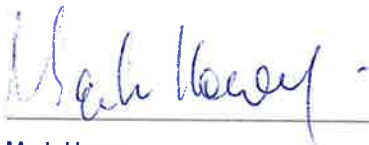
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 17 November 2020.



Mark Honey
Mayor
17 November 2020



Andrew Sloan
Councillor
17 November 2020



Kerry McMurray
General Manager
17 November 2020



David Mead
Responsible Accounting Officer
17 November 2020

Income Statement – Holiday Parks

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	8,051	9,302
Fees	28	26
Other income	40	38
Total income from continuing operations	8,119	9,366
Expenses from continuing operations		
Employee benefits and on-costs	129	107
Borrowing costs	70	14
Materials and contracts	4,114	4,324
Depreciation, amortisation and impairment	929	997
Calculated taxation equivalents	73	73
Debt guarantee fee (if applicable)	19	29
Other expenses	1,623	1,168
Total expenses from continuing operations	6,957	6,712
Surplus (deficit) from continuing operations before capital amounts	1,162	2,654
Grants and contributions provided for capital purposes	40	—
Surplus (deficit) from continuing operations after capital amounts	1,202	2,654
Surplus (deficit) from all operations before tax	1,202	2,654
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(320)	(730)
SURPLUS (DEFICIT) AFTER TAX	882	1,924
Plus accumulated surplus	13,898	13,884
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	73	73
– Debt guarantee fees	19	29
– Corporate taxation equivalent	320	730
Add:		
Less:		
– Dividend paid	(2,559)	(2,742)
Closing accumulated surplus	12,633	13,898
Return on capital %	4.8%	15.0%

Income Statement – Waste Unit

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	2,334	1,970
Fees	3,132	2,934
Profit from the sale of assets	127	56
Other income	752	652
Total income from continuing operations	6,345	5,612
Expenses from continuing operations		
Employee benefits and on-costs	1,436	1,516
Materials and contracts	2,146	1,999
Depreciation, amortisation and impairment	298	305
Other expenses	56	28
Total expenses from continuing operations	3,936	3,848
Surplus (deficit) from continuing operations before capital amounts	2,409	1,764
Surplus (deficit) from continuing operations after capital amounts	2,409	1,764
Surplus (deficit) from all operations before tax	2,409	1,764
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(662)	(485)
SURPLUS (DEFICIT) AFTER TAX	1,747	1,279
Plus accumulated surplus	4,673	3,559
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	661	485
Add:		
Less:		
– Dividend paid	–	(650)
Closing accumulated surplus	7,081	4,673
Return on capital %	52.8%	38.5%

Statement of Financial Position – Holiday Parks

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1,463	2,559
Receivables	–	214
Total current assets	1,463	2,773
Non-current assets		
Infrastructure, property, plant and equipment	25,700	17,800
Investment property	83	83
Total non-current assets	25,783	17,883
TOTAL ASSETS	27,246	20,656
LIABILITIES		
Current liabilities		
Borrowings	770	270
Payables	839	–
Provisions	29	29
Total current liabilities	1,638	299
Non-current liabilities		
Borrowings	4,216	–
Provisions	–	361
Total non-current liabilities	4,216	361
TOTAL LIABILITIES	5,854	660
NET ASSETS	21,392	19,996
EQUITY		
Accumulated surplus	14,931	13,535
Revaluation reserves	6,461	6,461
TOTAL EQUITY	21,392	19,996

Statement of Financial Position – Waste Unit

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	833	749
Total current assets	833	749
Non-current assets		
Infrastructure, property, plant and equipment	6,569	4,583
Total non-current assets	6,569	4,583
TOTAL ASSETS	7,402	5,332
NET ASSETS	7,402	5,332
EQUITY		
Accumulated surplus	7,194	5,124
Revaluation reserves	208	208
TOTAL EQUITY	7,402	5,332

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Kiama Coast Holiday Parks

Caravan and Camping Parks

b. Waste Business Unit

Domestic/Commercial Waste

Category 2

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

Nil

Monetary amounts

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

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

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Income tax

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

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

Note 1. Significant Accounting Policies (continued)

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

Special Purpose Financial Statements
for the year ended 30 June 2020



INDEPENDENT AUDITOR'S REPORT

Report on the Special Purpose Financial Statements

Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Opinion

I have audited the accompanying Special Purpose Financial Statements (the financial statements) of Kiama Municipal Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Holiday Parks
- Waste Unit.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in cursive script, appearing to read 'D. Ryan'.

Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

5 February 2021
SYDNEY

Kiama Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

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



Special Schedules
for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	17,874	16,666
Plus or minus adjustments ²	b	75	209
Notional general income	c = a + b	17,949	16,875
Permissible income calculation			
Special variation percentage ³	d	6.00%	9.83%
Plus special variation amount	h = d x (c + g)	1,077	1,006
Sub-total	k = (c + g + h + i + j)	19,026	17,881
Plus (or minus) last year's carry forward total	l	3	(3)
Less valuation objections claimed in the previous year	m	(3)	(4)
Sub-total	n = (l + m)	-	(7)
Total permissible income	o = k + n	19,026	17,874
Less notional general income yield	p	19,023	17,874
Catch-up or (excess) result	q = o - p	3	-
Plus income lost due to valuation objections claimed ⁴	r	7	3
Carry forward to next year ⁶	t = q + r + s	10	3

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in cursive script, appearing to read 'D. Ryan'.

Dominika Ryan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

5 February 2021
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost	Estimated cost	2019/20	2019/20	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council	Required maintenance ^a	Actual maintenance			1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000							
(a) Report on Infrastructure Assets - Values												
Buildings	Commercial Premises	66	66	99	99	54,646	40,771	9.0%	86.0%	5.0%	0.0%	0.0%
	Community Services	3,441	3,441	363	363	23,677	62,199	13.0%	80.0%	6.0%	0.0%	1.0%
	Holiday Parks	6,889	6,889	778	778	14,187	22,332	0.0%	86.0%	14.0%	0.0%	0.0%
	KMC Operational	53	53	126	126	4,889	12,144	15.0%	67.0%	17.0%	0.0%	1.0%
	Public Toilets	365	365	148	148	2,145	2,825	44.0%	39.0%	17.0%	0.0%	0.0%
	Rural Fire Service	31	31	3	3	1,092	1,567	42.0%	32.0%	26.0%	0.0%	0.0%
	Sports Facilities	869	869	61	61	4,531	8,932	11.0%	66.0%	23.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	State Emergency Services	—	—	11	11	453	864	6.0%	72.0%	22.0%	0.0%	0.0%
	Surf Life Saving Clubs	—	—	67	67	5,061	8,637	20.0%	72.0%	8.0%	0.0%	0.0%
	Sub-total	11,714	11,714	1,656	1,656	110,681	160,271	11.4%	78.9%	9.2%	0.0%	0.5%
Other structures	Other structures	—	—	—	—	2,338	4,049	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	—	—	—	—	2,338	4,049	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Urban Roads	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	638	638	220	220	14,938	23,055	3.0%	81.0%	13.0%	3.0%	0.0%
	Bridges	—	—	7	7	3,633	2,713	1.0%	93.0%	6.0%	0.0%	0.0%
	Footpaths	340	340	166	166	8,210	12,607	31.0%	49.0%	18.0%	2.0%	0.0%
	Other road assets	201	201	258	258	70,966	97,275	42.0%	57.0%	1.0%	0.0%	0.0%
	Bulk earthworks	—	—	—	—	15,589	9,022	100.0%	0.0%	0.0%	0.0%	0.0%
	Rural Roads	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	77	77	567	567	4,068	6,251	8.0%	84.0%	5.0%	3.0%	0.0%
	Unsealed roads	—	—	15	15	246	273	59.0%	2.0%	0.0%	0.0%	39.0%
	Bridges	283	283	11	11	4,749	6,097	52.0%	47.0%	1.0%	0.0%	0.0%
	Footpaths	—	—	—	—	1,196	1,341	73.0%	27.0%	0.0%	0.0%	0.0%
	Other road assets	—	—	123	123	22,261	32,247	30.0%	70.0%	0.0%	0.0%	0.0%
	Bulk earthworks	—	—	—	—	3,908	3,908	100.0%	0.0%	0.0%	0.0%	0.0%
	Regional Roads	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	—	—	443	443	3,583	5,701	0.0%	96.0%	4.0%	0.0%	0.0%
	Bridges	51	51	13	13	3,121	7,124	3.0%	31.0%	66.0%	0.0%	0.0%
	Footpaths	—	—	—	—	605	1,203	16.0%	64.0%	16.0%	0.0%	4.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Roads	Other road assets	32	32	242	242	16,923	21,053	79.0%	20.0%	1.0%	0.0%	0.0%
Roads	Bulk earthworks	—	—	—	—	2,790	2,790	100.0%	0.0%	0.0%	0.0%	0.0%
Roads	Access Roads & Carparks – Sealed roads	32	32	41	41	852	1,453	10.0%	54.0%	30.0%	1.0%	5.0%
Roads	Footpaths	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Other road assets	—	—	—	—	2,678	2,200	23.0%	77.0%	0.0%	0.0%	0.0%
Roads	Bulk earthworks	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,654	1,654	2,106	2,106	180,316	236,313	39.5%	54.6%	5.3%	0.5%	0.1%
Stormwater drainage	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Pits	—	—	79	79	7,430	9,887	19.0%	81.0%	0.0%	0.0%	0.0%
	Pipes	76	76	127	127	20,596	26,642	12.0%	88.0%	0.0%	0.0%	0.0%
	Open Channel	—	—	—	—	25	27	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	76	76	206	206	28,051	36,556	14.0%	86.0%	0.0%	0.0%	0.0%
Open space / recreational assets	Swimming pools	—	—	84	84	186	461	0.0%	41.0%	59.0%	0.0%	0.0%
	Recreation	806	806	1,619	1,619	8,585	10,346	5.0%	63.0%	20.0%	7.0%	5.0%
	Sub-total	806	806	1,703	1,703	8,771	10,807	4.8%	62.1%	21.7%	6.7%	4.8%
	TOTAL - ALL ASSETS	14,250	14,250	5,671	5,671	330,157	447,996	26.2%	65.6%	6.6%	0.4%	1.2%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	10,209	178.35%	114.19%	90.37%	>=100.00%
Depreciation, amortisation and impairment	5,724				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	14,250	4.32%	1.73%	1.63%	<2.00%
Net carrying amount of infrastructure assets	330,157				
Asset maintenance ratio					
Actual asset maintenance	5,671	100.00%	107.25%	94.24%	>100.00%
Required asset maintenance	5,671				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	14,250	3.18%	1.21%	1.02%	
Gross replacement cost	447,996				

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

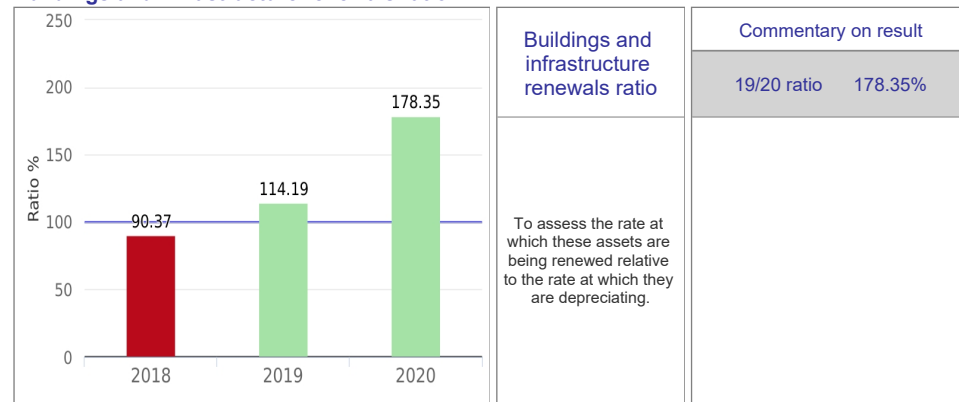
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

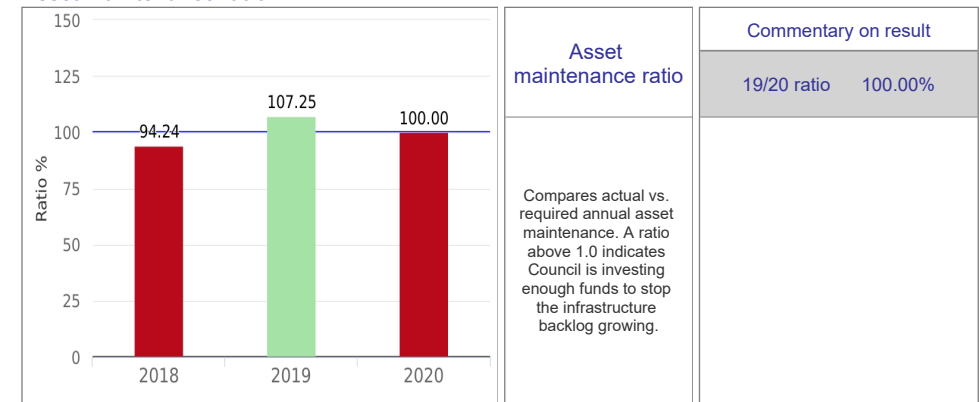
Buildings and infrastructure renewals ratio



Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

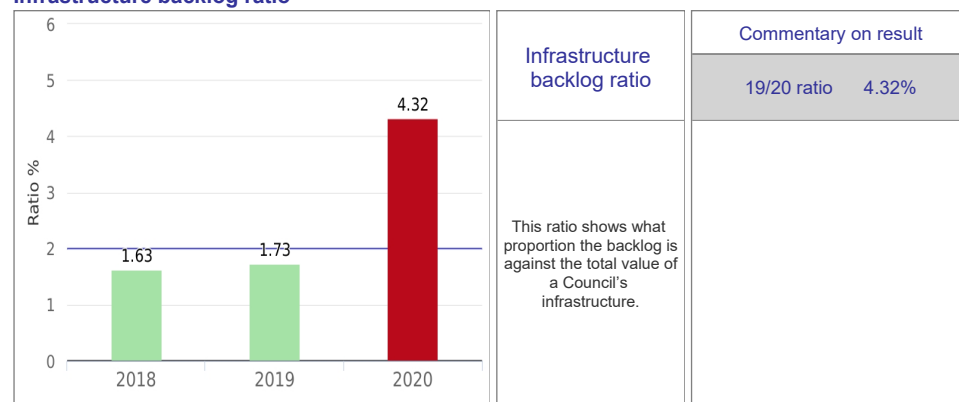
Asset maintenance ratio



Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

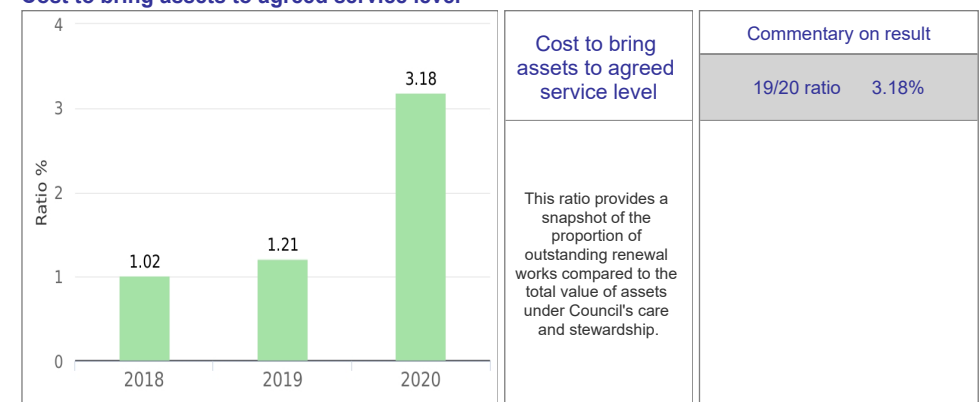
Infrastructure backlog ratio



Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund 2020	2019	Benchmark
Infrastructure asset performance indicators (by fund)			
Buildings and infrastructure renewals ratio ¹			
Asset renewals ²			
Depreciation, amortisation and impairment	178.35%	114.19%	>=100.00%
Infrastructure backlog ratio ¹			
Estimated cost to bring assets to a satisfactory standard			
Net carrying amount of infrastructure assets	4.32%	1.73%	<2.00%
Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	100.00%	107.25%	>100.00%
Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council			
Gross replacement cost	3.18%	1.21%	

(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.