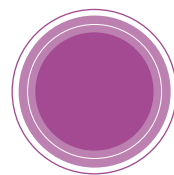




# General Purpose Financial Statements

For the Year Ended

30 June 2019



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## General Purpose Financial Statements

for the year ended 30 June 2019

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**Overview**

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

62 - 78 Vincent Street  
Cessnock NSW 2325

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.cessnock.nsw.gov.au](http://www.cessnock.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

## General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 04 September 2019.

Councillor Bob Pynsent  
**Mayor**  
04 September 2019

Councillor Melanie Dagg  
**Councillor**  
04 September 2019

Mr Robert Maginnity  
**Interim General Manager**  
04 September 2019

Ms Darrylen Allan  
**Acting Responsible Accounting Officer**  
04 September 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
49,270	Rates and annual charges	3a	50,122	47,869
8,201	User charges and fees	3b	10,493	13,340
832	Interest and investment revenue	3c	1,165	978
1,415	Other revenues	3d	1,805	1,775
7,918	Grants and contributions provided for operating purposes	3e, 3f	11,688	12,687
6,741	Grants and contributions provided for capital purposes	3e, 3f	18,067	44,737
<b>74,377</b>	<b>Total income from continuing operations</b>		<b>93,340</b>	<b>121,386</b>
<b>Expenses from continuing operations</b>				
31,444	Employee benefits and on-costs	4a	33,931	31,586
409	Borrowing costs	4b	559	453
14,659	Materials and contracts	4c	19,489	23,157
10,067	Depreciation and amortisation	4d	11,227	10,357
12,325	Other expenses	4e	10,980	13,504
2,500	Net losses from the disposal of assets	5	1,744	2,558
–	Revaluation decrement / impairment of IPP&E	4d	713	408
<b>71,404</b>	<b>Total expenses from continuing operations</b>		<b>78,643</b>	<b>82,023</b>
<b>2,973</b>	<b>Operating result from continuing operations</b>		<b>14,697</b>	<b>39,363</b>
<b>2,973</b>	<b>Net operating result for the year</b>		<b>14,697</b>	<b>39,363</b>
2,973	Net operating result attributable to council		14,697	39,363
<b>(3,768)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(3,370)</b>	<b>(5,374)</b>

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

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



## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>14,697</b>	<b>39,363</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	68,702	(7,367)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>68,702</b>	<b>(7,367)</b>
<b>Total other comprehensive income for the year</b>		<b>68,702</b>	<b>(7,367)</b>
<b>Total comprehensive income for the year</b>		<b>83,399</b>	<b>31,996</b>
Total comprehensive income attributable to Council		83,399	31,996

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

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

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# Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	5,421	4,360
Investments	6(b)	33,600	33,000
Receivables	7	2,814	5,280
Inventories	8a	2,029	339
Other	8b	78	168
<b>Total current assets</b>		<b>43,942</b>	<b>43,147</b>
<b>Non-current assets</b>			
Investments	6(b)	1,300	1,800
Inventories	8a	—	1,270
Infrastructure, property, plant and equipment	9	853,520	770,449
<b>Total non-current assets</b>		<b>854,820</b>	<b>773,519</b>
<b>TOTAL ASSETS</b>		<b>898,762</b>	<b>816,666</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	6,222	7,163
Income received in advance	10	68	—
Borrowings	10	1,511	1,392
Provisions	11	9,471	9,146
<b>Total current liabilities</b>		<b>17,272</b>	<b>17,701</b>
<b>Non-current liabilities</b>			
Payables	10	3,982	3,608
Income received in advance	10	813	768
Borrowings	10	5,349	6,860
Provisions	11	11,604	11,386
<b>Total non-current liabilities</b>		<b>21,748</b>	<b>22,622</b>
<b>TOTAL LIABILITIES</b>		<b>39,020</b>	<b>40,323</b>
<b>Net assets</b>		<b>859,742</b>	<b>776,343</b>
<b>EQUITY</b>			
Accumulated surplus	12a	484,560	469,863
Revaluation reserves	12a	375,182	306,480
<b>Council equity interest</b>		<b>859,742</b>	<b>776,343</b>
<b>Total equity</b>		<b>859,742</b>	<b>776,343</b>

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

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



# Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		469,863	306,480	776,343	430,500	313,847	744,347
<b>Restated opening balance</b>		<b>469,863</b>	<b>306,480</b>	<b>776,343</b>	<b>430,500</b>	<b>313,847</b>	<b>744,347</b>
Net operating result for the year		14,697	–	14,697	39,363	–	39,363
<b>Restated net operating result for the period</b>		<b>14,697</b>	<b>–</b>	<b>14,697</b>	<b>39,363</b>	<b>–</b>	<b>39,363</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	68,702	68,702	–	(7,367)	(7,367)
<b>Other comprehensive income</b>		<b>–</b>	<b>68,702</b>	<b>68,702</b>	<b>–</b>	<b>(7,367)</b>	<b>(7,367)</b>
<b>Total comprehensive income</b>		<b>14,697</b>	<b>68,702</b>	<b>83,399</b>	<b>39,363</b>	<b>(7,367)</b>	<b>31,996</b>
<b>Equity – balance at end of the reporting period</b>		<b>484,560</b>	<b>375,182</b>	<b>859,742</b>	<b>469,863</b>	<b>306,480</b>	<b>776,343</b>

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

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

# Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
49,270	Rates and annual charges		49,949	47,352
8,200	User charges and fees		10,603	13,335
830	Investment and interest revenue received		1,091	1,026
17,500	Grants and contributions		17,206	19,095
500	Bonds, deposits and retention amounts received		465	1,685
3,500	Other		4,488	2,383
<u>Payments</u>				
(32,100)	Employee benefits and on-costs		(33,528)	(31,847)
(24,500)	Materials and contracts		(20,568)	(23,348)
(410)	Borrowing costs		(559)	(453)
(12,300)	Other		(10,727)	(13,604)
10,490	<b>Net cash provided (or used in) operating activities</b>	13b	18,420	15,624
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
3,000	Sale of investment securities		20,800	11,700
1,100	Sale of infrastructure, property, plant and equipment		1,034	1,498
<u>Payments</u>				
–	Purchase of investment securities		(20,900)	(17,000)
(15,900)	Purchase of infrastructure, property, plant and equipment		(16,505)	(16,155)
–	Purchase of real estate assets		(396)	–
(11,800)	<b>Net cash provided (or used in) investing activities</b>		(15,967)	(19,957)
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
1,440	Proceeds from borrowings and advances		–	2,960
<u>Payments</u>				
(1,410)	Repayment of borrowings and advances		(1,392)	(1,306)
30	<b>Net cash flow provided (used in) financing activities</b>		(1,392)	1,654
(1,280)	<b>Net increase/(decrease) in cash and cash equivalents</b>		1,061	(2,679)
4,360	Plus: cash and cash equivalents – beginning of year	13a	4,360	7,039
3,080	<b>Cash and cash equivalents – end of the year</b>	13a	5,421	4,360
Additional Information:				
31,800	plus: Investments on hand – end of year	6(b)	34,900	34,800
34,880	<b>Total cash, cash equivalents and investments</b>		40,321	39,160

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 04 September 2019.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

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

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

#### (b) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (ii) estimated tip remediation provisions – refer Note 11
- (iii) employee benefit provisions – refer Note 11.

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

- (iv) Impairment of receivables

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Section 355 Committees

##### (b) The Trust Fund

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

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

#### Goods and Services Tax (GST)

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

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

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting period.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

##### Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*  
This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Council has a decrease in the provision for Doubtful Debt. The amount of the provision is to be considered not material.

##### Effective for annual reporting periods beginning on or after 1 July 2019

## Notes to the Financial Statements

for the year ended 30 June 2019

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

- 
- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 Leases

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Governance	–	–	1,090	1,088	(1,090)	(1,088)	–	–	57	54
Administration	1,400	1,860	13,215	14,390	(11,815)	(12,530)	–	–	88,124	87,599
Public order and safety	514	755	2,310	2,344	(1,796)	(1,589)	–	–	4,745	4,824
Health	1,151	1,228	888	951	263	277	–	–	297	303
Environment	18,412	26,196	17,830	21,004	582	5,192	513	395	86,575	76,031
Community services and education	73	71	527	489	(454)	(418)	63	51	6,841	6,873
Housing and community amenities	2,343	1,842	6,337	6,029	(3,994)	(4,187)	109	106	1,390	1,306
Recreation and culture	3,567	3,502	11,862	10,826	(8,295)	(7,324)	1,666	818	72,940	71,056
Mining, manufacturing and construction	1,313	1,018	1,338	1,362	(25)	(344)	–	–	210	175
Transport and communication	18,173	41,379	21,722	22,098	(3,549)	19,281	2,833	3,693	634,867	565,937
Economic affairs	1,264	681	1,524	1,442	(260)	(761)	–	–	2,716	2,508
General Purpose Income	45,130	42,854	–	–	45,130	42,854	7,239	7,632	–	–
<b>Total functions and activities</b>	<b>93,340</b>	<b>121,386</b>	<b>78,643</b>	<b>82,023</b>	<b>14,697</b>	<b>39,363</b>	<b>12,423</b>	<b>12,695</b>	<b>898,762</b>	<b>816,666</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### **GOVERNANCE**

Includes 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, public disclosure (e.g. GIPA), and legislative compliance.

#### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

#### **PUBLIC ORDER AND SAFETY**

Includes Council's fire protection, emergency services, enforcement of regulations and animal control.

#### **HEALTH**

Includes immunisation, food control, health centres etc.

#### **ENVIRONMENT**

Includes noxious plants and insect/vermin control, other environmental protection, solid waste management, including domestic waste, other waste management, other sanitation, and garbage, street cleaning, drainage and stormwater management.

#### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education, social protection (welfare), Aboriginal and other community services and administration, youth services, aged and disabled persons services, and other family and children services.

#### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries, public conveniences, street lighting, town planning, other community amenities.

#### **RECREATION AND CULTURE**

Includes public libraries, museums, art galleries, community centres and halls, including public halls and performing arts venues, sporting grounds and venues, swimming pools, parks, gardens, and other sporting, recreational and cultural services.

#### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries.

#### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

#### **ECONOMIC AFFAIRS**

Includes tourism and area promotion, industrial development promotion, real estate development, and other business undertakings

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	28,487	26,706
Farmland	2,660	2,870
Mining	1,032	1,027
Business	4,841	4,794
Less: pensioner rebates (mandatory)	(800)	(788)
Less: pensioner rebates (Council policy)	(88)	(85)
<b>Rates levied to ratepayers</b>	<b>36,132</b>	<b>34,524</b>
Pensioner rate subsidies received	428	449
<b>Total ordinary rates</b>	<b>36,560</b>	<b>34,973</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	12,360	11,697
Stormwater management services	518	508
Waste management services (non-domestic)	866	867
Section 611 charges	28	29
Less: pensioner rebates (mandatory)	(373)	(369)
Less: pensioner rebates (Council policy)	(40)	(39)
<b>Annual charges levied</b>	<b>13,359</b>	<b>12,693</b>
Pensioner subsidies received:		
– Domestic waste management	203	203
<b>Total annual charges</b>	<b>13,562</b>	<b>12,896</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>50,122</b>	<b>47,869</b>

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

**Accounting policy for rates and charges**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	341	367
Private works – section 67	16	30
Regulatory/ statutory fees	99	224
Section 10.7 certificates (EP&A Act)	204	213
Section 603 certificates	127	158
Town planning	1,904	1,712
Building permits and fees	887	719
<b>Total fees and charges – statutory/regulatory</b>	<b>3,578</b>	<b>3,423</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	254	182
Cemeteries	283	220
RMS charges (state roads not controlled by Council)	3,828	6,713
Waste disposal tipping fees	1,369	1,684
Cessnock performing arts centre	333	276
Onsite sewerage management fees	478	490
Swimming pool fees	209	198
Other	161	154
<b>Total fees and charges – other</b>	<b>6,915</b>	<b>9,917</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>10,493</b>	<b>13,340</b>

**Accounting policy for user charges and fees**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
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## (c) Interest and investment revenue (including losses)

**Interest on financial assets measured at amortised cost**

– Overdue rates and annual charges (incl. special purpose rates)	161	129
– Cash and investments	1,004	849

**TOTAL INTEREST AND INVESTMENT REVENUE**

<b>1,165</b>	<b>978</b>
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**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	161	129
General Council cash and investments	267	119

**Restricted investments/funds – external:**

Development contributions		
– Section 7.11	169	151
Domestic waste management operations	11	9
Other externally restricted assets	114	120

**Restricted investments/funds – internal:**

Internally restricted assets	443	450
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**Total interest and investment revenue**

<b>1,165</b>	<b>978</b>
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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 2019

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

\$ '000	2019	2018
<b>(d) Other revenues</b>		
Rental income – other council properties	277	315
Fines	381	366
Legal fees recovery – rates and charges (extra charges)	457	503
Legal fees recovery – other	4	7
Commissions and agency fees	32	25
Diesel rebate	40	84
Insurance claims recoveries	78	109
Sales – general	279	219
General administrative services	5	12
Section 355 committees	203	108
Other	49	27
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>1,805</u></b>	<b><u>1,775</u></b>

**Accounting policy for other revenue**

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

Parking fees and fines - Council's revenue policy for such income is to account for it as revenue on receipt.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,703	2,733	–	–
Financial assistance – local roads component	851	806	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	2,802	2,814	–	–
Financial assistance – local roads component	883	830	–	–
<b>Total general purpose</b>	<b>7,239</b>	<b>7,183</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Community centres	–	–	228	19
Environmental programs	184	–	–	–
Heritage and cultural	–	–	17	–
Library – per capita	106	105	–	–
Library – special projects	32	10	37	184
LIRS subsidy	37	43	–	–
Noxious weeds	104	77	–	–
Recreation and culture	35	2	1,211	498
Street lighting	109	106	–	–
Transport (roads to recovery)	1,062	1,519	–	–
Transport (flood works, other roads and bridges funding)	137	687	15	–
Drainage	49	87	–	472
Transport (resources for regions)	–	–	1,426	1,144
Transport (road safety)	69	69	–	–
Waste levy programs	157	199	19	10
Welfare services	63	51	–	–
Other	72	200	15	30
<b>Total specific purpose</b>	<b>2,216</b>	<b>3,155</b>	<b>2,968</b>	<b>2,357</b>
<b>Total grants</b>	<b>9,455</b>	<b>10,338</b>	<b>2,968</b>	<b>2,357</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,337	9,164	1,542	1,194
– State funding	1,118	1,174	1,426	1,163
	<b>9,455</b>	<b>10,338</b>	<b>2,968</b>	<b>2,357</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b> <b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	549	1,467
S 7.11 – contributions towards amenities/services		–	–	1,360	1,553
S 7.12 – fixed development consent levies		–	–	235	2
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>2,144</b>	<b>3,022</b>
<b>Total developer contributions</b>	21	<b>–</b>	<b>–</b>	<b>2,144</b>	<b>3,022</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Drainage		–	–	–	128
Kerb and gutter		–	–	19	22
Recreation and culture		–	–	–	10
RMS contributions (regional roads, block grant)		1,273	1,244	338	341
Tourism		175	308	–	–
Other		94	76	16	6
Bushfire protection		–	127	–	–
General admin services		242	265	–	–
Motor vehicle leaseback		289	262	–	–
Road reinstatements		154	58	–	–
Transport		6	9	–	–
<b>Total other contributions – cash</b>		<b>2,233</b>	<b>2,349</b>	<b>373</b>	<b>507</b>
<b>Non-cash contributions</b>					
Dedications		–	–	41	–
Dedications – subdivisions (other than by s7.11)		–	–	12,541	38,851
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>12,582</b>	<b>38,851</b>
<b>Total other contributions</b>		<b>2,233</b>	<b>2,349</b>	<b>12,955</b>	<b>39,358</b>
<b>Total contributions</b>		<b>2,233</b>	<b>2,349</b>	<b>15,099</b>	<b>42,380</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>11,688</b>	<b>12,687</b>	<b>18,067</b>	<b>44,737</b>

**Accounting policy for grants and contributions**

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

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

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.



## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

\$ '000	2019	2018
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## (g) Unspent grants and contributions

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

**Operating grants**

Unexpended at the close of the previous reporting period	1,222	1,274
<b>Add:</b> operating grants recognised in the current period but not yet spent	41	40
<b>Add:</b> operating grants received for the provision of goods and services in a future period	308	1,062
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,119)	(1,154)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>452</b>	<b>1,222</b>

Nature of unspent operating grants	2019 (\$'000)
Community services and education	30
Environment	374
Housing and community amenities	1
Recreation and culture	24
Tourism	16
Transport and communication	7
Total	452

**Capital grants**

Unexpended at the close of the previous reporting period	1,059	749
<b>Add:</b> capital grants recognised in the current period but not yet spent	44	28
<b>Add:</b> capital grants received for the provision of goods and services in a future period	314	617
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(583)	(335)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>834</b>	<b>1,059</b>

Nature of unspent capital grants	2019 (\$'000)
Community services and education	37
Environment	15
Recreation and culture	775
Transport and communication	7
Total	834

**Contributions**

Unexpended at the close of the previous reporting period	12,903	11,089
<b>Add:</b> contributions recognised in the current period but not yet spent	—	—
<b>Add:</b> contributions received for the provision of goods and services in a future period	2,313	3,172
<b>Add:</b> 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	—	—
	(753)	(1,358)

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000		2019	2018
<b>Less:</b> contributions recognised in a previous reporting period now spent		(753)	(1,358)
<b>Unexpended and held as restricted assets (contributions)</b>		<u>14,463</u>	<u>12,903</u>
Nature of unspent contributions	2019		
	(\$'000)		
Developers contributions	12,361		
RMS contributions	2,102		
Total	14,463		

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	24,646	22,434
Employee termination costs	219	175
Travel expenses	490	494
Employee leave entitlements (ELE)	5,619	5,135
Superannuation	3,376	3,272
Workers' compensation insurance	555	639
Fringe benefit tax (FBT)	237	355
Training costs (other than salaries and wages)	350	412
Other	41	22
<b>Total employee costs</b>	<b>35,533</b>	<b>32,938</b>
Less: capitalised costs	(1,602)	(1,352)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>33,931</b>	<b>31,586</b>
Number of 'full-time equivalent' employees (FTE) at year end	310	299

**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	Notes	2019	2018
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		402	453
<b>Total interest bearing liability costs expensed</b>		<b>402</b>	<b>453</b>
<b>(ii) Other borrowing costs</b>			
Remediation liabilities	11	157	—
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>559</b>	<b>453</b>

**Accounting policy for borrowing costs**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	12,993	17,205
Contractor and consultancy costs	5,466	4,989
Auditors remuneration <sup>2</sup>	48	42
Infringement notice contract costs (SEINS)	27	38
<b>Legal expenses:</b>		
– Legal expenses: planning and development	264	105
– Legal expenses: debt recovery	457	506
– Legal expenses: other	65	105
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	169	167
<b>Total materials and contracts</b>	<b>19,489</b>	<b>23,157</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>19,489</b>	<b>23,157</b>
<b>Accounting policy for operating leases</b>		
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.		
<b>1. Operating lease payments are attributable to:</b>		
Computers	146	144
Other	23	23
	<b>169</b>	<b>167</b>
<b>2. Auditor remuneration</b>		
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	48	42
<b>Remuneration for audit and other assurance services</b>	<b>48</b>	<b>42</b>
<b>Total Auditor-General remuneration</b>	<b>48</b>	<b>42</b>
<b>Total Auditor remuneration</b>	<b>48</b>	<b>42</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,640	1,723
Office equipment		232	274
Furniture and fittings		19	20
<b>Infrastructure:</b>			
– Buildings		2,055	1,493
– Roads		4,919	4,724
– Bridges		381	370
– Footpaths		220	210
– Stormwater drainage		740	711
– Swimming pools		50	50
– Other open space/recreational assets		556	517
– Other infrastructure		24	37
<b>Other assets:</b>			
– Library books		225	228
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9, 11	166	–
<b>Total gross depreciation and amortisation costs</b>		<b>11,227</b>	<b>10,357</b>
<b>Total depreciation and amortisation costs</b>		<b>11,227</b>	<b>10,357</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Plant and equipment		232	–
<b>Infrastructure:</b>			
– Buildings		481	408
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>713</b>	<b>408</b>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>713</b>	<b>408</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b><u>11,940</u></b>	<b><u>10,765</u></b>

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

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

**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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	158	187
Bad and doubtful debts	61	243
Bank charges	59	51
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	77	87
– NSW fire brigade levy	327	330
– NSW rural fire service levy	477	469
– Waste levy	5,539	7,984
Councillor expenses – mayoral fee	43	42
Councillor expenses – councillors' fees	257	251
Councillors' expenses (incl. mayor) – other (excluding fees above)	60	91
Donations, contributions and assistance to other organisations (Section 356)	87	88
Electricity and heating	536	544
Insurance	1,119	1,075
Rate collection agency expenses	75	90
RSPCA contribution	297	301
Section 355 committees	201	81
Street lighting	1,018	1,014
Subsidies	40	34
Telephone and communications	268	284
Valuation fees	165	171
Other	116	87
<b>Total other expenses</b>	<b>10,980</b>	<b>13,504</b>
<b>TOTAL OTHER EXPENSES</b>	<b>10,980</b>	<b>13,504</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		219	196
Less: carrying amount of property assets sold/written off		(124)	(485)
<b>Net gain/(loss) on disposal</b>		<b>95</b>	<b>(289)</b>
<b>Plant and equipment</b>			
	9		
Proceeds from disposal – plant and equipment		815	1,302
Less: carrying amount of plant and equipment assets sold/written off		(1,059)	(1,145)
<b>Net gain/(loss) on disposal</b>		<b>(244)</b>	<b>157</b>
<b>Infrastructure</b>			
	9		
Less: carrying amount of infrastructure assets sold/written off		(1,595)	(2,426)
<b>Net gain/(loss) on disposal</b>		<b>(1,595)</b>	<b>(2,426)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		20,800	11,700
Less: carrying amount of investments sold/redeemed/matured		(20,800)	(11,700)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,744)</b>	<b>(2,558)</b>

**Accounting policy for disposal of assets**

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	4,880	3,819
Cash-equivalent assets		
– Deposits at call	541	541
<b>Total cash and cash equivalents</b>	<b>5,421</b>	<b>4,360</b>

**Accounting policy for cash and cash equivalents**

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

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
Financial assets at amortised cost / held to maturity (2018)	33,600	1,300	33,000	1,800
c. 'Loans and receivables'	–	–	–	–
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	–	–	–
<b>Total Investments</b>	<b>33,600</b>	<b>1,300</b>	<b>33,000</b>	<b>1,800</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>39,021</b>	<b>1,300</b>	<b>37,360</b>	<b>1,800</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Term deposits	33,600	–	33,000	–
NCD's, FRN's (with maturities > 3 months)	–	1,300	–	1,800
<b>Total</b>	<b>33,600</b>	<b>1,300</b>	<b>33,000</b>	<b>1,800</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

#### Accounting policy for investments

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

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

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

##### Financial assets

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

##### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

##### Fair value through other comprehensive income – equity instruments

Council does not hold any equity investments as on 30th June 2019.

##### Financial assets through profit or loss

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

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

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

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

##### Classification

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

##### (a) Held to maturity investments

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

##### (b) Loans and receivables

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

#### Recognition and de-recognition

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

Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

#### Impairment of financial assets

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	39,021	1,300	37,360	1,800
<b>attributable to:</b>				
External restrictions	15,106	1,300	13,814	1,800
Internal restrictions	23,205	–	22,095	–
Unrestricted	710	–	1,451	–
	39,021	1,300	37,360	1,800

\$ '000	2019	2018
<b>Details of restrictions</b>		
<b>External restrictions – other</b>		
Developer contributions – general	12,361	10,600
RMS contributions	2,102	2,303
Specific purpose unexpended grants	1,286	2,281
Domestic waste management	370	370
Stormwater management	227	–
Other	60	60
<b>External restrictions – other</b>	16,406	15,614
<b>Total external restrictions</b>	16,406	15,614
<b>Internal restrictions</b>		
Plant and vehicle replacement	1,579	1,471
Employees leave entitlement	2,621	2,264
Carry over works	1,695	2,056
Bridge replacement	1,103	721
Cemetery	69	22
Computer services	368	316
Energy efficiency reserve	38	113
Financial assistance grant in advance	3,685	3,644
Insurance provisions	1,308	933
Miscellaneous and property	1,914	1,223
Operations and programs	412	346
Property investment fund	781	872
Rezoning fees	85	85
Civil Works	1,212	1,764
Waste depot and rehabilitation	3,998	5,588
Unexpended Loan Funds	537	677
Committed Projects (SRV)	1,800	–
<b>Total internal restrictions</b>	23,205	22,095
<b>TOTAL RESTRICTIONS</b>	39,611	37,709

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	973	–	772	–
Interest and extra charges	381	–	351	–
User charges and fees	13	–	10	–
Accrued revenues				
– Interest on investments	221	–	177	–
Competitive building fees	69	–	–	–
Community facilities	69	–	443	–
Garbage tipping fees	66	–	69	–
Government grants and subsidies	183	–	216	–
Kerb and gutter	24	–	30	–
Net GST receivable	284	–	274	–
Planning proposals	–	–	44	–
Premises inspections	51	–	74	–
Rental charges	54	–	30	–
Restoration charges	13	–	6	–
RMS debtors – state roads	287	–	2,233	–
Roadworks	183	–	709	–
Other debtors	304	–	250	–
<b>Total</b>	<b>3,175</b>	<b>–</b>	<b>5,688</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(326)	–	(298)	–
Other debtors	(35)	–	(110)	–
<b>Total provision for impairment – receivables</b>	<b>(361)</b>	<b>–</b>	<b>(408)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,814</b>	<b>–</b>	<b>5,280</b>	<b>–</b>
<b>Externally restricted receivables</b>				
<b>Domestic waste management</b>	<b>555</b>	<b>–</b>	<b>411</b>	<b>–</b>
<b>Stormwater management</b>	<b>21</b>	<b>–</b>	<b>12</b>	<b>–</b>
<b>Other</b>				
Other restricted receivables	157	–	19	–
<b>Total external restrictions</b>	<b>733</b>	<b>–</b>	<b>442</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>2,081</b>	<b>–</b>	<b>4,838</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>2,814</b>	<b>–</b>	<b>5,280</b>	<b>–</b>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	408	166
+ new provisions recognised during the year	60	242
– amounts already provided for and written off this year	(107)	–
<b>Balance at the end of the period</b>	<b>361</b>	<b>408</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

When considering the ECL for rates debtors, council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

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

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

Council may write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 120 days past due, whichever occurs first.

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

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

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

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	1,666	—	—	1,270
Stores and materials	363	—	339	—
<b>Total inventories at cost</b>	<b>2,029</b>	<b>—</b>	<b>339</b>	<b>1,270</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>2,029</u></b>	<b><u>—</u></b>	<b><u>339</u></b>	<b><u>1,270</u></b>

### (b) Other assets

Prepayments	78	—	168	—
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>78</u></b>	<b><u>—</u></b>	<b><u>168</u></b>	<b><u>—</u></b>

### Externally restricted assets

There are no restrictions applicable to the above assets.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total internally restricted assets</b>	<b>1,666</b>	<b>—</b>	<b>—</b>	<b>1,270</b>
<b>Total unrestricted assets</b>	<b>441</b>	<b>—</b>	<b>507</b>	<b>—</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>2,107</u></b>	<b><u>—</u></b>	<b><u>507</u></b>	<b><u>1,270</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

## (i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>				
Residential	1,666	—	—	1,270
<b>Total real estate for resale</b>	<b>1,666</b>	<b>—</b>	<b>—</b>	<b>1,270</b>

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

**Represented by:**

Development costs	1,666	—	—	1,270
<b>Total costs</b>	<b>1,666</b>	<b>—</b>	<b>—</b>	<b>1,270</b>

<b>Total real estate for resale</b>	<b>1,666</b>	<b>—</b>	<b>—</b>	<b>1,270</b>
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**Movements:**

Real estate assets at beginning of the year	—	1,270	—	1,270
– Purchases and other costs	396	—	—	—
– Transfer between current/non-current	1,270	(1,270)	—	—
<b>Total real estate for resale</b>	<b>1,666</b>	<b>—</b>	<b>—</b>	<b>1,270</b>

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

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

—	—
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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 8. Inventories and other assets (continued)

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#### Accounting policy for inventories and other assets

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

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

##### Inventory held for distribution

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

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

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

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	6,401	—	6,401	3,397	5,297	(497)	—	—	(4,542)	—	—	10,056	—	10,056
Plant and equipment	22,679	(13,096)	9,583	—	2,729	(1,062)	(1,640)	(232)	—	4	—	23,306	(13,924)	9,382
Office equipment	3,877	(3,355)	522	—	102	—	(232)	—	—	(3)	—	3,976	(3,587)	389
Furniture and fittings	1,422	(1,296)	126	—	2	—	(19)	—	—	(1)	—	1,423	(1,315)	108
Plant and equipment (under finance lease)	281	(281)	—	—	—	—	—	—	—	—	—	281	(281)	—
<b>Land:</b>														
– Operational land	33,743	—	33,743	—	—	(124)	—	—	—	(396)	—	33,223	—	33,223
– Community land	24,169	—	24,169	—	—	—	—	—	—	—	—	24,169	—	24,169
– Land under roads (post 30/6/08)	395	—	395	—	82	—	—	—	—	—	149	626	—	626
<b>Infrastructure:</b>														
– Buildings	122,800	(62,096)	60,704	391	15	(185)	(2,055)	(481)	270	—	1,128	125,387	(65,600)	59,787
– Roads	606,435	(105,416)	501,019	2,009	9,303	(693)	(4,919)	—	2,603	—	54,209	685,730	(122,199)	563,531
– Bridges	41,561	(11,973)	29,588	1,454	495	(644)	(381)	—	434	—	2,895	47,010	(13,169)	33,841
– Footpaths	17,751	(3,855)	13,896	17	843	(2)	(220)	—	141	—	1,259	20,483	(4,549)	15,934
– Stormwater drainage	88,588	(18,112)	70,476	107	3,080	—	(740)	—	159	—	6,876	101,000	(21,042)	79,958
– Swimming pools	4,561	(1,844)	2,717	—	—	—	(50)	—	—	—	184	4,864	(2,013)	2,851
– Other open space/recreational assets	18,665	(7,481)	11,184	258	193	(71)	(556)	—	935	—	779	21,301	(8,579)	12,722
– Other infrastructure	5,571	(777)	4,794	—	—	—	(24)	—	—	—	392	6,028	(866)	5,162
<b>Other assets:</b>														
– Library books	5,814	(4,682)	1,132	—	209	—	(225)	—	—	—	—	6,023	(4,907)	1,116
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>														
– Tip assets	8,400	(8,400)	—	—	—	—	(166)	—	—	—	831	9,231	(8,566)	665
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,013,113</b>	<b>(242,664)</b>	<b>770,449</b>	<b>7,633</b>	<b>22,350</b>	<b>(3,278)</b>	<b>(11,227)</b>	<b>(713)</b>	<b>—</b>	<b>(396)</b>	<b>68,702</b>	<b>1,124,117</b>	<b>(270,597)</b>	<b>853,520</b>

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment (continued)

\$ '000	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	12,068	–	12,068	3,085	2,737	–	–	–	(11,489)	–	–	–	6,401	–	6,401
Plant and equipment	20,199	(12,840)	7,359	–	4,775	(1,145)	(1,723)	–	317	–	–	–	22,679	(13,096)	9,583
Office equipment	3,783	(3,080)	703	19	59	–	(274)	–	15	–	–	–	3,877	(3,355)	522
Furniture and fittings	1,418	(1,276)	142	–	4	–	(20)	–	–	–	–	–	1,422	(1,296)	126
Plant and equipment (under finance lease)	281	(281)	–	–	–	–	–	–	–	–	–	–	281	(281)	–
<b>Land:</b>															
– Operational land	36,789	–	36,789	–	–	(107)	–	–	–	(359)	(2,580)	–	33,743	–	33,743
– Community land	24,188	–	24,188	–	–	(378)	–	–	–	359	–	–	24,169	–	24,169
– Land under roads (post 30/6/08)	235	–	235	–	160	–	–	–	–	–	–	–	395	–	395
<b>Infrastructure:</b>															
– Buildings	85,298	(19,222)	66,076	92	2,285	(368)	(1,493)	(408)	105	–	(5,585)	–	122,800	(62,096)	60,704
– Roads	574,349	(101,951)	472,398	2,465	27,536	(1,443)	(4,724)	–	4,468	–	–	319	606,435	(105,416)	501,019
– Bridges	39,270	(11,725)	27,545	147	1,921	(262)	(370)	–	607	–	–	–	41,561	(11,973)	29,588
– Footpaths	15,166	(3,651)	11,515	30	2,513	(11)	(210)	–	59	–	–	–	17,751	(3,855)	13,896
– Stormwater drainage	76,404	(16,994)	59,410	201	6,249	(74)	(711)	–	4,922	–	–	479	88,588	(18,112)	70,476
– Swimming pools	4,561	(1,801)	2,760	13	–	(6)	(50)	–	–	–	–	–	4,561	(1,844)	2,717
– Other open space/recreational assets	17,529	(7,109)	10,420	73	1,283	(262)	(517)	–	187	–	–	–	18,665	(7,481)	11,184
– Other infrastructure	5,572	(740)	4,832	–	–	–	(37)	–	–	(1)	–	–	5,571	(777)	4,794
<b>Other assets:</b>															
– Library books	5,645	(4,454)	1,191	169	–	–	(228)	–	–	–	–	–	5,814	(4,682)	1,132
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>															
– Tip assets	8,400	(8,400)	–	–	–	–	–	–	–	–	–	–	8,400	(8,400)	–
<b>Total Infrastructure, property, plant and equipment</b>	<b>931,155</b>	<b>(193,524)</b>	<b>737,631</b>	<b>6,294</b>	<b>49,522</b>	<b>(4,056)</b>	<b>(10,357)</b>	<b>(408)</b>	<b>(809)</b>	<b>(1)</b>	<b>(8,165)</b>	<b>798</b>	<b>1,013,113</b>	<b>(242,664)</b>	<b>770,449</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. 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 valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	4 to 10	Playground equipment	23
Office furniture	4 to 10	Benches, seats etc.	10 to 20
Computer equipment	4 to 5		
Vehicles	4 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	4 to 8	Sub-structure	30 to 110
Other plant and equipment	4 to 15	Superstructure	35 to 110
		Roof Frame	150
		Roof	20 to 110
<b>Stormwater Drainage assets</b>		Electrical	45
Culverts	120	Hydraulic	20 to 40
Stormwater Pipes	120	Mechanical	22
Stormwater Pits	120	Fit-Out Fittings	35
		Fit-outs Floor Coverings	25
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	24 to 34	Bulk earthworks	Infinite
Sealed roads: structure	80 to 1000	Swimming pools	91
Unsealed roads - surface and base	25 to 80	Other open space/recreational assets	11 to 120
Bridge: concrete - structure	120	Playgrounds	23
Bridge: concrete - other	50 to 60	Runways and Taxiways surface	20
Bridge : timber - structure	120	Runways and Taxiways base	80
Bridge : timber - other	50 to 60	Runways and Taxiways sub-base	1000
Kerb, gutter and footpaths	120		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

**Land under roads**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9. Infrastructure, property, plant and equipment (continued)

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#### **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**

Based on a review of relevant accounting standards, legislation, service agreements, current finance management agreements and the manner the RFS plant and equipment is purchased, managed and utilised, Council does not have control over RFS plant and equipment and consequently does not recognise these assets as Council assets.

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,328	–	5,383	–
Accrued expenses:				
– Salaries and wages	407	–	390	–
– Other expenditure accruals	590	–	600	–
Security bonds, deposits and retentions	758	3,982	667	3,608
Trust fund	139	–	123	–
<b>Total payables</b>	<b>6,222</b>	<b>3,982</b>	<b>7,163</b>	<b>3,608</b>
<b>Income received in advance</b>				
Payments received in advance	68	813	–	768
<b>Total income received in advance</b>	<b>68</b>	<b>813</b>	<b>–</b>	<b>768</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	1,511	5,349	1,392	6,860
<b>Total borrowings</b>	<b>1,511</b>	<b>5,349</b>	<b>1,392</b>	<b>6,860</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>7,801</b>	<b>10,144</b>	<b>8,555</b>	<b>11,236</b>

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Payables and borrowings relating to restricted assets</b>				
<b>Externally restricted assets</b>				
Domestic waste management	54	–	85	–
Payables and borrowings relating to externally restricted assets	54	–	85	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>54</b>	<b>–</b>	<b>85</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>7,747</b>	<b>10,144</b>	<b>8,470</b>	<b>11,236</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>7,801</b>	<b>10,144</b>	<b>8,555</b>	<b>11,236</b>

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

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

Payables – security bonds, deposits and retentions	1,132	666
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
Other Liabilities: Trust Fund Deposits	48	48
<b>Total payables and borrowings</b>	<b>1,180</b>	<b>714</b>

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

\$ '000	as at 30/6/2018	Non-cash changes				as at 30/6/2019
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance
Loans – secured	8,252	(1,392)	–	–	–	6,860
<b>TOTAL</b>	<b>8,252</b>	<b>(1,392)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,860</b>

\$ '000	as at 30/6/2017	Non-cash changes				as at 30/6/2018
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance
Loans – secured	6,598	1,654	–	–	–	8,252
<b>TOTAL</b>	<b>6,598</b>	<b>1,654</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,252</b>

\$ '000	2019	2018
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## (d) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	1,000	1,000
Credit cards/purchase cards	230	100
<b>Total financing arrangements</b>	<b>1,230</b>	<b>1,100</b>

## Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	230	100
<b>Total undrawn financing arrangements</b>	<b>1,230</b>	<b>1,100</b>

(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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10. Payables and borrowings (continued)

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#### **Borrowings**

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

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

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

#### **Finance leases**

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	2,880	–	2,797	–
Sick leave	443	–	512	–
Long service leave	6,148	206	5,837	145
<b>Sub-total – aggregate employee benefits</b>	<b>9,471</b>	<b>206</b>	<b>9,146</b>	<b>145</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	11,398	–	11,241
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>11,398</b>	<b>–</b>	<b>11,241</b>
<b>TOTAL PROVISIONS</b>	<b>9,471</b>	<b>11,604</b>	<b>9,146</b>	<b>11,386</b>

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

##### Externally restricted assets

Domestic waste management	574	–	504	–
Provisions relating to externally restricted assets	574	–	504	–
<b>Total provisions relating to restricted assets</b>	<b>574</b>	<b>–</b>	<b>504</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>8,897</b>	<b>11,604</b>	<b>8,642</b>	<b>11,386</b>
<b>TOTAL PROVISIONS</b>	<b>9,471</b>	<b>11,604</b>	<b>9,146</b>	<b>11,386</b>

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

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

Provisions – employees benefits	6,250	5,536
	<b>6,250</b>	<b>5,536</b>

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

\$ '000	ELE provisions			
	Annual leave	Sick leave	Long service leave	Total
<b>2019</b>				
At beginning of year	2,797	512	5,982	9,291
Additional provisions	2,142	1,159	1,288	4,589
Amounts used (payments)	(2,059)	(1,228)	(916)	(4,203)
<b>Total ELE provisions at end of period</b>	<b>2,880</b>	<b>443</b>	<b>6,354</b>	<b>9,677</b>
<b>2018</b>				
At beginning of year	2,707	521	5,876	9,104
Additional provisions	1,984	1,149	1,066	4,199

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions (continued)

\$ '000	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
Amounts used (payments)	(1,894)	(1,158)	(960)	(4,012)
Total ELE provisions at end of period	2,797	512	5,982	9,291

\$ '000	Other provisions	
	Asset remediation	Total
<b>2019</b>		
At beginning of year	11,241	11,241
Other	157	157
Total other provisions at end of period	11,398	11,398
<b>2018</b>		
At beginning of year	11,241	11,241
Total other provisions at end of period	11,241	11,241

#### 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.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions (continued)

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

##### Restoration

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarries. Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

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

##### Rehabilitation

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

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### (a) Nature and purpose of reserves

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

##### **Nature of prior-period error**

Council did not identify any prior-period errors.

#### (c) Changes in accounting policies due to adoption of new accounting standards

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

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

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

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

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

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

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

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

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

Council has no equity instruments as on 30th June 2019.

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

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

##### **Transition adjustments**

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

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## Notes to the Financial Statements

for the year ended 30 June 2019

**Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Available for sale investment revaluation reserve	FVOCI reserve	Retained earnings	Non-controlling interests	Total
Increase(decrease) in expected credit losses for trade receivables <sup>1</sup>	–	–	(147)	–	(147)

(1) The move to the expected credit loss model under AASB 9 has decreased the provision for trade receivables at 01 July 2018

**Classification of financial assets and financial liabilities**

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

\$ '000	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Reclassification	Remeasurements	Carrying amount under AASB 9
<b>Financial assets</b>						
Term deposits (including FRNs) (i)	Held to maturity	Amortised cost	34,900	–	–	34,900
Trade and other receivables	Loans and receivables	Amortised cost	2,667	–	147	2,814
Cash and cash equivalents	Loans and receivables	Amortised cost	5,421	–	–	5,421
<b>Total financial assets under AASB 9 at 1 July 2018</b>			<b>42,988</b>	<b>–</b>	<b>147</b>	<b>43,135</b>
<b>Financial liabilities</b>						
Secured bank loans	Other financial liabilities	Other financial liabilities	6,860	–	–	6,860
Trade payables	Other financial liabilities	Other financial liabilities	4,328	–	–	4,328
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			<b>11,188</b>	<b>–</b>	<b>–</b>	<b>11,188</b>

**Notes to the table above****(i) Reclassification from 'held to maturity' to 'amortised cost'**

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

**(d) Voluntary changes in accounting policies**

Council made no voluntary changes in any accounting policies during the year.

**(e) Changes in accounting estimates**

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

**Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies,  
changes in accounting estimates and errors (continued)**

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Council made no changes in accounting estimates during the year.

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
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## (a) Reconciliation of cash assets

Total cash and cash equivalent assets	6(a)	5,421	4,360
<b>Balance as per the Statement of Cash Flows</b>		<b>5,421</b>	<b>4,360</b>

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

<b>Net operating result from Income Statement</b>		14,697	39,363
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		11,227	10,357
Net losses/(gains) on disposal of assets		1,744	2,558
Non-cash capital grants and contributions		(12,582)	(38,851)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		713	408
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2,513	419
Increase/(decrease) in provision for impairment of receivables		(47)	242
Decrease/(increase) in inventories		(24)	37
Decrease/(increase) in other current assets		90	29
Increase/(decrease) in payables		(1,055)	(228)
Increase/(decrease) in other accrued expenses payable		7	(534)
Increase/(decrease) in other liabilities		594	1,637
Increase/(decrease) in provision for employee benefits		386	187
Increase/(decrease) in other provisions		157	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>18,420</b>	<b>15,624</b>

## (c) Non-cash investing and financing activities

Other dedications		12,582	38,851
<b>Total non-cash investing and financing activities</b>		<b>12,582</b>	<b>38,851</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Interests in other entities

## Joint arrangements

## Joint operations

Principal activity	Place of business	Interest in ownership		Interest in voting	
		2019	2018	2019	2018

## (a) Council is involved in the following joint operations (JO's)

## Name of joint operation:

Strategic Services Australia Ltd	Local Government Services	Thornton	10%	10%	8%	8%
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Council has an interest in Strategic Services Australia Ltd, along with other member Councils of Strategic Services Australia Ltd. The activities of this organisation are not controlled by any one Council. Strategic Services Australia Ltd has been established to improve the quality and efficiency of local government service throughout the Hunter Region.

## (b) Council assets employed in the joint operations

	2019	2018
<b>Council's share of assets jointly owned with other partners</b>		
Current assets	712	702
Current liabilities	(230)	(182)
Property, plant and equipment	35	48
Non-current liabilities	(3)	(3)
<b>Total net assets employed – Council and jointly owned</b>	<b>514</b>	<b>565</b>

## Accounting policy for joint arrangements

The council has determined that it has joint operations only.

## Joint operations:

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Commitments

\$ '000	2019	2018
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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**

Wine Country Precinct Signage	–	49
Wilderness Bridge Rothbury	–	88
Gingers Lane design	49	–
Fosters bridge	1,264	–
Cooper and Charlton Streets Cessnock CBD upgrade	908	–
<b>Total commitments</b>	<b>2,221</b>	<b>137</b>

**These expenditures are payable as follows:**

Within the next year	2,221	137
<b>Total payable</b>	<b>2,221</b>	<b>137</b>

**Sources for funding of capital commitments:**

Future grants and contributions	957	88
New loans (to be raised)	1,264	–
Developer Contributions	–	49
<b>Total sources of funding</b>	<b>2,221</b>	<b>137</b>

**Details of capital commitments**

The council has committed to:

- completion of road designs for Gingers Lane roadworks project
- construction of Foster's bridge and associated roadworks
- completion of Stage 1.1 of Cessnock CBD public domain upgrade in Cooper and Charlton Sts. Cessnock

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

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

Within the next year	164	157
Later than one year and not later than 5 years	154	287
<b>Total non-cancellable operating lease commitments</b>	<b>318</b>	<b>444</b>

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

Computer and Photocopier Leases

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

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

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 16. Contingencies and other assets/liabilities not recognised

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

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

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

Each member 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.

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

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member employers, the surplus has not been recognised in the Council's financial statements.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

The share of the Scheme surplus at 30 June 2019 that can be broadly attributed to Council is 0.96%.

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

Pooled employers are required to pay standard employer contributions which are 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.

Pooled employers are also required to pay additional lump sum contributions to the Scheme. Council's additional lump sum contributions included in Council's total employer contribution for the year ended 30 June 2019 is \$398,000.

Council's additional contributions of \$398,000 per annum represents approximately 1.00% of the total additional lump sum contributions for all pooled employers of \$40 million, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018.

The amount of Council's employer contributions to the Scheme accounted for as an expense for the year ended 30 June 2019 was \$836,416. Council's expected standard and additional contributions to the plan for the next annual reporting period is \$808,993.

##### (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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

#### (iii) StateCover Limited

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

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

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

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

#### (iv) Other guarantees

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

### 2. Other liabilities

#### (i) Third party claims

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

Council believes that it is appropriately covered for all claims through its insurance coverage and at 30 June 2019 Council had the following pending legal matters:

The Council is defending a property damage's claim.

Whilst the potential cost of this claim is unlikely to be significant, it is not practical to assess the impact of the claim at the date of this report.

#### (ii) Rehabilitation Works

Council owns two properties that may be subject to rehabilitation works due to possible contamination. This may result in future liabilities, but until an investigation of these sites is carried out, Council is unable to determine the value of this liability.

### 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 June 2008.

#### (ii) Infringement notices/fines

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 17. Financial risk management

#### Risk management

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

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

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

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

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

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

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 investments 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.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	3,984	3,984	(3,984)	(3,984)
Possible impact of a 1% movement in interest rates	398	398	(398)	(398)
<b>2018</b>				
Possible impact of a 10% movement in market values	3,628	3,628	(3,628)	(3,628)
Possible impact of a 1% movement in interest rates	363	363	(363)	(363)

#### (b) Credit risk

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It 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.

A profile of Council's receivables credit risk at balance date follows:

## Credit risk profile

## Receivables – rates and annual charges

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

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	973	–	–	–	973
<b>2018</b>						
Gross carrying amount	–	772	–	–	–	772

## Receivables - non-rates and annual charges

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

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

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	587	1,450	33	11	121	2,202
Expected loss rate (%)	–	–	–	–	–	
<b>2018</b>						
Gross carrying amount	485	4,270	22	22	117	4,916
Expected loss rate (%)	–	–	–	–	–	

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures.

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	–	4,740	5,464	–	–	10,204	10,204
Loans and advances	5%	–	70	4,218	2,572	6,860	6,860
<b>Total financial liabilities</b>		<b>4,740</b>	<b>5,534</b>	<b>4,218</b>	<b>2,572</b>	<b>17,064</b>	<b>17,064</b>
<b>2018</b>							
Trade/other payables	–	4,275	6,488	–	–	10,763	10,771
Loans and advances	5%	–	50	4,052	4,150	8,252	8,252
<b>Total financial liabilities</b>		<b>4,275</b>	<b>6,538</b>	<b>4,052</b>	<b>4,150</b>	<b>19,015</b>	<b>19,023</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 20/06/2018 and is unaudited.

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

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

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

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

\$ '000		2019 Budget	2019 Actual	2019 Variance*	
<b>REVENUES</b>					
<b>Rates and annual charges</b>		49,270	50,122	852	2% <b>F</b>
<b>User charges and fees</b>		8,201	10,493	2,292	28% <b>F</b>
RMS charges	1,748K (F)				
Town Planning fees	436K (F)				
Garbage Tipping fees	252K (U)				
Building Permits & fees	179K (F)				
Performing Arts Centre	84K (F)				
Aerodrome	79K (F)				
<b>Interest and investment revenue</b>		832	1,165	333	40% <b>F</b>
Interest on Investments	179K (F)				
Interest on Overdue Rates & Charges	23K (F)				
<b>Other revenues</b>		1,415	1,805	390	28% <b>F</b>
Fines	43K (F)				
Insurance Claims	38K (F)				
Lease Rentals	38K (U)				
Legal Fees Recovery-Rates & Charges	68K (U)				
Swimming Pool Kiosk sales	73K (F)				
Sales - Waste Transfer Facility	104K (F)				
Procurement Rebates	24K (F)				
<b>Operating grants and contributions</b>		7,918	11,688	3,770	48% <b>F</b>
RMS Contributions	27K (U)				
Road Reinstatements	64K (F)				
WHS Insurance Incentive payments	94K (F)				
Vehicle Leaseback	46K (F)				
Financial Assistance Grant	3,665K (F)				
<b>Capital grants and contributions</b>		6,741	18,067	11,326	168% <b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
S7.11 Contributions	144K (F)			
RMS Contributions	138K (F)			
Dedications of new assets	12,582K (F)			
Kerb & Gutter Contributions	19K (F)			
Bridge Contributions	50K (U)			
Community Centres	313K (U)			
Roads & Bridges	1,242K (U)			
Resources for Regions	383K (U)			
Recreation & Cultural grants	327K (F)			
Library Special Projects	37K (F)			
Waste Levy Programs	19K (F)			
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	31,444	33,931	(2,487)	(8)% U
<b>Borrowing costs</b>	409	559	(150)	(37)% U
Amortisation - Waste Tip Rehabilitation	157K (U)			
<b>Materials and contracts</b>	14,659	19,489	(4,830)	(33)% U
Expenses exceeded the original budget primarily due to extra works not forecast being undertaken as a result of additional grant funds and reserve funds being utilised after the budget was adopted eg RMS works. Also expenditure originally budgeted as capital expenditure was reclassified and recorded as operating expenditure.				
<b>Depreciation and amortisation</b>	10,067	11,227	(1,160)	(12)% U
Buildings	1,176K (U)			
Plant & Equipment	353K (U)			
Roads	319K (U)			
Waste Tip Rehabilitation	166K (U)			
Office Equipment	118K (F)			
Other Infrastructure	26K (F)			
<b>Other expenses</b>	12,325	10,980	1,345	11% F
Bad & Doubtful Debts	50K (U)			
Electricity	114K (F)			
Emergency Services Levy	24K (F)			
Insurances	107K (U)			
Street Lighting	68K (U)			
Telephone Expenses	53K (F)			
S88 EPA Waste Levy	1,461K (F)			
Advertising	37K (U)			
<b>Net losses from disposal of assets</b>	2,500	1,744	756	30% F
Disposals of Plant, Equipment & Property				

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance* -----	
<b>Revaluation decrement / impairment of IPP&amp;E</b>	—	713	(713)	∞ U
Plant & Equipment	232K (U)			
Buildings	481K (U)			
Impairments on these assets not budgeted for in the original budget.				

## STATEMENT OF CASH FLOWS

<b>Net cash provided from (used in) operating activities</b>	10,490	18,420	7,930	76% F
Rates and annual charges	679K (F)			
User charges and fees	2,403K (F)			
Investment and interest revenue	261K (F)			
Grants and contributions	294K (U)			
Other receipts	988K (F)			
Employee benefits and on-costs	1,428K (U)			
Materials and contracts	3,932K (F)			
Other payments	1,573K (F)			
<b>Net cash provided from (used in) investing activities</b>	(11,800)	(15,967)	(4,167)	35% U
Net Purchase / Sale of investment securities	3,100K (U)			
Net Purchase / Sale of infrastructure, property, plant and equipment	671K (U)			
Payments on land real estate	396K (U)			
<b>Net cash provided from (used in) financing activities</b>	30	(1,392)	(1,422)	(4,740)% U
Variation is due to the 2018/19 loan borrowing of \$1,440K not taken up in 2018/19.				

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

Fair value measurement hierarchy					
2019	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and Equipment	30/06/18	–	–	9,382	9,382
Office Equipment	30/06/18	–	–	389	389
Furniture and Fittings	30/06/18	–	–	108	108
Operational Land	30/06/18	–	–	33,223	33,223
Community Land	30/06/16	–	–	24,169	24,169
Land Under Roads (post 30/6/08)	30/06/14	–	–	626	626
Buildings	30/06/18	–	–	59,787	59,787
Roads	30/06/15	–	–	563,531	563,531
Bridges	30/06/15	–	–	33,841	33,841
Footpaths	30/06/15	–	–	15,934	15,934
Stormwater Drainage	30/06/15	–	–	79,958	79,958
Swimming Pools	30/06/16	–	–	2,851	2,851
Other Open Space / Recreational Assets	30/06/16	–	–	12,722	12,722
Other Infrastructure	30/06/16	–	–	5,162	5,162
Library Books	30/06/14	–	–	1,116	1,116
Tip Assets	30/06/19	–	–	665	665
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>843,464</b>	<b>843,464</b>

Fair value measurement hierarchy					
2018	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and Equipment	30/06/18	–	–	9,583	9,583
Office Equipment	30/06/18	–	–	522	522
Furniture and Fittings	30/06/18	–	–	126	126
Operational Land	30/06/18	–	–	33,743	33,743

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

2018	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		
Recurring fair value measurements						
Community Land	30/06/16	—	—	24,169	24,169	
Land Under Roads (post 30/6/08)	30/06/14	—	—	395	395	
Buildings	30/06/18	—	—	60,704	60,704	
Roads	30/06/15	—	—	501,019	501,019	
Bridges	30/06/15	—	—	29,588	29,588	
Footpaths	30/06/15	—	—	13,896	13,896	
Stormwater Drainage	30/06/15	—	—	70,476	70,476	
Swimming Pools	30/06/16	—	—	2,717	2,717	
Other Open Space / Recreational Assets	30/06/16	—	—	11,184	11,184	
Other Infrastructure	30/06/16	—	—	4,794	4,794	
Library Books	30/06/14	—	—	1,132	1,132	
Tip Assets		—	—	—	—	
Total infrastructure, property, plant and equipment				764,048	764,048	

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

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

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

Refer section 4c and 4d below.

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

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

\$ '000	Plant and equipment	Land	Buildings
<b>2018</b>			
<b>Opening balance</b>	9,395	61,212	66,076
Purchases (GBV)	5,027	160	2,377
Disposals (WDV)	(1,144)	(485)	(368)
Depreciation and impairment	(2,246)	—	(1,901)
Transfer from WIP	332	—	105
Adjustments and transfers	—	—	—
Gains / (Losses) recognised in other comprehensive income	—	(2,580)	(5,585)
<b>Closing balance</b>	<b>11,364</b>	<b>58,307</b>	<b>60,704</b>
<b>2019</b>			
<b>Opening balance</b>	11,364	58,307	60,704
Purchases (GBV)	3,041	82	406
Disposals (WDV)	(1,062)	(124)	(185)

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Land	Buildings
Depreciation and impairment	(2,348)	—	(2,536)
Transfer from WIP	—	—	270
Adjustments and transfers	—	(396)	—
Gains / (Losses) recognised in other comprehensive income	—	149	1,128
<b>Closing balance</b>	<b>10,995</b>	<b>58,018</b>	<b>59,787</b>

Rehabilitation			
\$ '000	Infrastructure	assets	Total
<b>2018</b>			
<b>Opening balance</b>	588,880	—	<b>725,563</b>
Purchases (GBV)	42,429	—	<b>49,993</b>
Disposals (WDV)	(2,059)	—	<b>(4,056)</b>
Depreciation and impairment	(6,619)	—	<b>(10,766)</b>
Transfer from WIP	10,243	—	<b>10,680</b>
Adjustments and transfers	—	—	<b>—</b>
Gains / (Losses) recognised in other comprehensive income	798	—	<b>(7,367)</b>
<b>Closing balance</b>	<b>633,672</b>	<b>—</b>	<b>764,047</b>
<b>2019</b>			
<b>Opening balance</b>	633,672	—	<b>764,047</b>
Purchases (GBV)	17,760	—	<b>21,289</b>
Disposals (WDV)	(1,409)	—	<b>(2,780)</b>
Depreciation and impairment	(6,890)	(166)	<b>(11,940)</b>
Transfer from WIP	4,272	—	<b>4,542</b>
Adjustments and transfers	—	—	<b>(396)</b>
Gains / (Losses) recognised in other comprehensive income	66,594	831	<b>68,702</b>
<b>Closing balance</b>	<b>713,999</b>	<b>665</b>	<b>843,464</b>

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

There were no transfers in to or out of the Level 3 valuation hierarchy.

**c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.**

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Plant, equipment, office equipment, furniture, fittings and library books	10,995	Depreciated historical cost	Useful life.
Operational land	33,223	Market approach with adjustment for limited use	Adjustment applied for limited use, comparison to similar recent sales, current market conditions.
Community land	24,169	Land values obtained from the NSW Valuer-General	Land value

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Land under roads	626	Land values obtained from the NSW Valuer-General discounted 90%	Land value, discount percentage.
Buildings - non specialised	2,169	Market approach	Comparison to similar recent sales, current market conditions, useful life, condition, estimated pattern of consumption.
Buildings - specialised	57,618	Cost approach	Current replacement cost, condition, useful life, estimated pattern of consumption.
Infrastructure assets	713,999	Cost approach	Current replacement cost, condition, useful life, estimated pattern of consumption.
Reinstatement, rehabilitation and restoration assets - tip asset	665	Cost approach	Environmental legislation, timing of expected cash outflows, discount percentage, rehabilitation cost estimates.

**d. The valuation process for level 3 fair value measurements****Plant, equipment, office equipment, furniture, fittings and library books**

These assets are reported at depreciated historical cost. In light of the nature and value of council plant and equipment, the Office of Local Government has stated that the fair value of these assets is unlikely to be materially different from depreciated historical cost.

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

**Operational Land**

Operational land was last valued in 2018 by independent qualified valuer Opteon Solutions. Opteon Solutions used market evidence to value operational land and applied adjustments for zoning, location, land size, comparability, utility, etc. Council reviewed the valuation report and discussed significant movements with Opteon Solutions.

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

**Community Land**

Community land was last valued in 2016. Council staff carried out the valuation. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuations. Community land is subject to restrictions which the Valuer General has taken into account when applying discounts to the market price based on sales of similar assets.

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

**Land Under Roads**

Land under roads, that came into Council's control post 01/07/2008, was valued in 2019. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuations at 30 June 2019. 90% discount was applied to the average unit value to reflect restrictions placed on land under roads.

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

**Buildings - Non Specialised**

The last valuation was undertaken externally in 2018 by independent qualified valuers APV Valuers. The Market Approach has been used to value this asset class. APV Valuers have valued non-specialised buildings by obtaining market evidence through the direct comparison approach. Council reviewed the valuation report and discussed significant movements with Opteon Solutions.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Fair Value Measurement (continued)

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#### **Buildings - Specialised**

The last valuation was undertaken internally in 2018 by Council's asset management staff. Under the Cost Approach, current replacement cost was calculated using Rawlinsons Construction Handbook to determine current unit rates applicable to the various components of each asset. Unit rates were tested against recently completed projects to ensure accuracy. Council's asset management staff reviewed and adjusted condition, useful life and pattern of consumption where appropriate.

Indexation was applied to buildings in 2019. The Building Price Index for Sydney published in Rawlinsons Construction Handbook 2019 was used to determine the change in value since the last valuation date. Indexation will continue to be applied every year going forward when a comprehensive valuation is not carried out. Council determined that applying indexation provides a closer approximation to fair value.

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

#### **Infrastructure Assets**

Roads, bridges, footpaths and stormwater drainage were last valued in 2015. Swimming pools, other open space/recreational assets and other infrastructure (being the airport runway and taxiways) was last valued in 2016. Under the Cost Approach, current replacement cost was calculated using independent qualified valuers and Council's asset management staff.

Jeff Roorda and Associates carried out the unit rate valuation in 2015. Opus International Consultants Pty Ltd carried out the condition assessment for stormwater drainage. Pavement Management Services Pty Ltd carried out the condition assessment for roads, bridges, and footpaths. Council's asset management staff reviewed and adjusted condition, useful life and pattern of consumption where appropriate.

The 2016 valuation was undertaken by Council's asset management staff using Rawlinsons Construction Handbook to determine current unit rates applicable to the various components of each asset. Unit rates were tested against recently completed projects to ensure accuracy. Council's asset management staff reviewed and adjusted condition, useful life and pattern of consumption where appropriate.

Indexation was applied to infrastructure assets in 2019. The Building Price Index for Sydney published in Rawlinsons Construction Handbook 2019 was used to determine the change in value since the last valuation date of each asset class. Indexation will continue to be applied every year going forward when a comprehensive valuation is not carried out. Council determined that applying indexation provides a closer approximation to fair value.

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

#### **Reinstatement, rehabilitation and restoration assets - tip asset**

The provision to rehabilitate Council's tip asset at the end of its life has been revalued in 2019. Council has obtained reports from independent qualified environmental experts and has used key technical and management staff to determine the best estimate of the expenditure required to rehabilitate the tip asset at the end of its life. A discount rate has been used to determine the present value of this obligation.

### (5) Highest and best use

All assets valued at fair value in this note are being used for their highest and best use.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Related Party Transactions

#### (a) Key management personnel

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

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	1,251	1,192
Post-employment benefits	112	107
<b>Total</b>	<b>1,363</b>	<b>1,299</b>

#### (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.

\$ '000	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>2019</b>					
Payments for recycling bin services <sup>1</sup>	1,750	148	14 day terms on invoices	—	—
Payments received for other services provided <sup>2</sup>	22	—	Nil	—	—
Payments made for services received <sup>3</sup>	166	—	14 day terms on invoices	—	—
<b>2018</b>					
Payments for recycling bin services <sup>1</sup>	1,004	89		—	—
Payments received for other services provided <sup>2</sup>	21	—		—	—
Payments made for services received <sup>3</sup>	164	—		—	—

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

Note 20. Related Party Transactions (continued)

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- (1) Relates to payments to Hunter Resources Recovery, a company in which Council has an interest, to provide recycling services. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the term of the contract. Hunter Resource Recovery details have not been consolidated into Council's financial statements as the amounts are not material to Council operations.
- (2) Council receives a rebate from Strategic Services Australian Limited, a company in which Council has an ownership interest, for its share of Local Government Procurement Contracts and or various services provided.
- (3) Council uses Strategic Services Australia Limited, a company in which Council has an ownership interest, for a variety of services, including legal services, training and Environment Management. Further details of Council's interest in Strategic Services Australia Limited are outlined in Note 14.

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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	
Drainage	189	1	—	3	—	—	193	—
Roads	1,909	299	—	30	—	—	2,238	—
Parking	305	—	—	4	—	—	309	—
Open space	540	258	—	9	(231)	—	576	—
Community facilities	1,305	225	—	21	—	—	1,551	—
Other	462	249	—	10	(16)	—	705	—
Tourist facilities	531	208	—	10	(147)	—	602	—
Transport	247	120	—	4	—	—	371	—
<b>S7.11 contributions – under a plan</b>	<b>5,488</b>	<b>1,360</b>	<b>—</b>	<b>91</b>	<b>(394)</b>	<b>—</b>	<b>6,545</b>	<b>—</b>
<b>S7.12 levies – under a plan</b>	<b>2</b>	<b>235</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>238</b>	<b>—</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>5,490</b>	<b>1,595</b>	<b>—</b>	<b>92</b>	<b>(394)</b>	<b>—</b>	<b>6,783</b>	<b>—</b>
S7.4 planning agreements	5,110	549	—	77	(158)	—	5,578	—
<b>Total contributions</b>	<b>10,600</b>	<b>2,144</b>	<b>—</b>	<b>169</b>	<b>(552)</b>	<b>—</b>	<b>12,361</b>	<b>—</b>

## S7.11 CONTRIBUTIONS - UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 2 - TOURIST DEVELOPMENT

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Tourist facilities	183	—	—	3	—	—	186	—
<b>Total</b>	<b>183</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>—</b>	<b>186</b>	<b>—</b>
<b>CONTRIBUTION PLAN NUMBER 4 - NULKABA FLOOD MITIGATION</b>								
Drainage	40	—	—	1	—	—	41	—
<b>Total</b>	<b>40</b>	<b>—</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>41</b>	<b>—</b>
<b>CONTRIBUTION PLAN NUMBER 5 - CARPARKING CESSNOCK CBD</b>								
Parking	305	—	—	4	—	—	309	—
<b>Total</b>	<b>305</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>309</b>	<b>—</b>
<b>CONTRIBUTION PLAN NUMBER 6 - RESIDENTIAL CONTRIBUTIONS PLAN</b>								
Drainage	149	1	—	2	—	—	152	—
Roads	1,200	126	—	18	—	—	1,344	—
Open space	448	219	—	8	(231)	—	444	—
Community facilities	1,219	113	—	19	—	—	1,351	—
Other	383	38	—	6	(6)	—	421	—
<b>Total</b>	<b>3,399</b>	<b>497</b>	<b>—</b>	<b>53</b>	<b>(237)</b>	<b>—</b>	<b>3,712</b>	<b>—</b>
<b>CONTRIBUTION PLAN NUMBER 7 - TOURISM CONTRIBUTIONS PLAN</b>								
Roads	486	93	—	8	—	—	587	—
Tourist facilities	348	208	—	7	(147)	—	416	—
Other	73	59	—	2	(2)	—	132	—
<b>Total</b>	<b>907</b>	<b>360</b>	<b>—</b>	<b>17</b>	<b>(149)</b>	<b>—</b>	<b>1,135</b>	<b>—</b>
<b>CONTRIBUTION PLAN NUMBER 8 - BLACKHILL QUARRY CONTRIBUTION PLAN</b>								
Roads	223	80	—	4	—	—	307	—
<b>Total</b>	<b>223</b>	<b>80</b>	<b>—</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>307</b>	<b>—</b>
<b>SITE SPECIFIC CONTRIBUTIONS PLAN- BELLBIRD NORTH</b>								
Open space	77	7	—	1	—	—	85	—
Community facilities	67	78	—	2	—	—	147	—
Transport	176	73	—	3	—	—	252	—

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Other	6	151	–	2	(5)	–	154	–
<b>Total</b>	<b>326</b>	<b>309</b>	<b>–</b>	<b>8</b>	<b>(5)</b>	<b>–</b>	<b>638</b>	<b>–</b>
<b>SITE SPECIFIC CONTRIBUTIONS PLAN - NULKABA</b>								
Open space	14	21	–	–	–	–	35	–
Community facilities	18	26	–	–	–	–	44	–
Other	–	1	–	–	–	–	1	–
Transport	70	30	–	1	–	–	101	–
<b>Total</b>	<b>102</b>	<b>78</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>181</b>	<b>–</b>
<b>SITE SPECIFIC CONTRIBUTIONS PLAN - MOUNT VIEW ROAD MILLFIELD</b>								
Open space	1	1	–	–	–	–	2	–
Community facilities	1	1	–	–	–	–	2	–
Transport	1	1	–	–	–	–	2	–
<b>Total</b>	<b>3</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>
<b>Site Specific Contributions Plan - Averys Village Heddon Greta</b>								
Open space	–	10	–	–	–	–	10	–
Community facilities	–	7	–	–	–	–	7	–
Other	–	–	–	–	(3)	–	(3)	–
Transport	–	16	–	–	–	–	16	–
<b>Total</b>	<b>–</b>	<b>33</b>	<b>–</b>	<b>–</b>	<b>(3)</b>	<b>–</b>	<b>30</b>	<b>–</b>

### S7.12 LEVIES – UNDER A PLAN

#### Section 7.12 Contributions

Commercial Precincts	2	235	–	1	–	–	238	–
<b>Total</b>	<b>2</b>	<b>235</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>238</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 21. Statement of developer contributions (continued)

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	Cumulative internal borrowings due/(payable)
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	
<b>S7.4 planning agreements</b>								
Drainage	3	—	—	—	—	—	3	—
Roads	787	—	—	7	(158)	—	636	—
Open space	74	1	—	1	—	—	76	—
Community facilities	3,673	500	—	63	—	—	4,236	—
Other	573	48	—	9	—	—	630	—
<b>Total</b>	<b>5,110</b>	<b>549</b>	<b>—</b>	<b>80</b>	<b>(158)</b>	<b>—</b>	<b>5,581</b>	<b>—</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(913)	(1.21)%	(3.14)%	3.97%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	75,273				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	62,954	67.45%	52.16%	63.66%	>60.00%
Total continuing operating revenue <sup>1</sup>	93,340				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	28,103	3.05x	2.66x	2.45x	>1.5x
Current liabilities less specific purpose liabilities	9,214				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	10,873	5.57x	4.78x	8.11x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,951				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	1,028	2.02%	1.69%	2.04%	<5.00%
Rates, annual and extra charges collectible	50,934				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	39,021	7.01 mths	6.35 mths	6.3 mths	>3 mths
Monthly payments from cash flow of operating and financing activities	5,564				

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

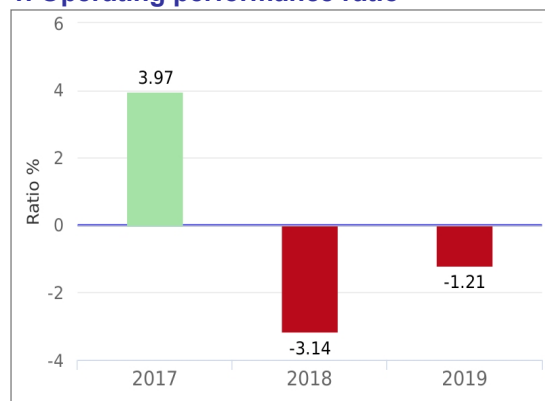
(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22(b). Statement of performance measures – consolidated results (graphs)

### 1. Operating performance ratio



#### Purpose of operating performance ratio

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

#### Commentary on 2018/19 result

2018/19 ratio (1.21)%

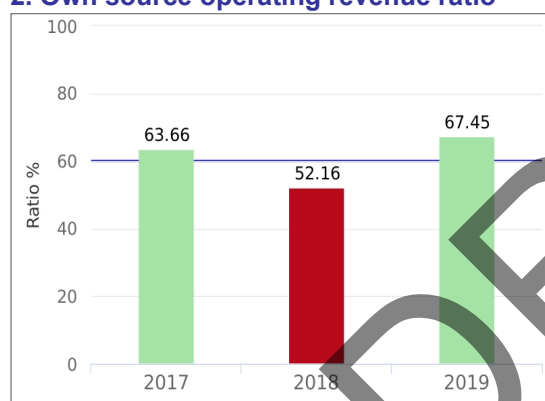
This ratio has improved from the previous year as a result of lower Materials and Contracts expense but partially offset by higher depreciation and impairment expenses.

Benchmark: — > 0.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

### 2. Own source operating revenue ratio



#### Purpose of own source operating revenue ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 67.45%

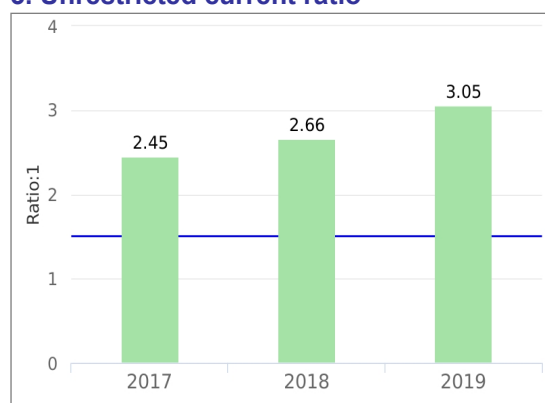
Council's dependence on rates, annual charges, user charges and fees compared to other sources of income is relatively high, but this ratio has decreased below the benchmark level due to dedications received from subdivisions.

Benchmark: — > 60.00%

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

Ratio achieves benchmark  
Ratio is outside benchmark

### 3. Unrestricted current ratio



#### Purpose of unrestricted current ratio

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

#### Commentary on 2018/19 result

2018/19 ratio 3.05x

This ratio has increased slightly from that in 2017/18. This ratio represents a satisfactory level of working capital.

Benchmark: — > 1.5x

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

Ratio achieves benchmark  
Ratio is outside benchmark

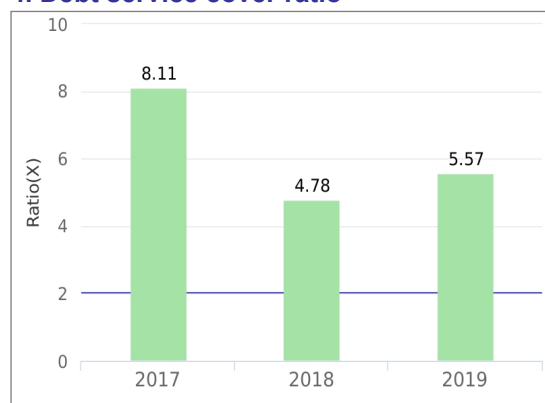


## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22(b). Statement of performance measures – consolidated results (graphs)

## 4. Debt service cover ratio



## Purpose of debt service cover ratio

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

## Commentary on 2018/19 result

2018/19 ratio 5.57x

This ratio highlights a relatively low level of demand on discretionary revenue for loan repayments. This ratio is considered to be a good result.

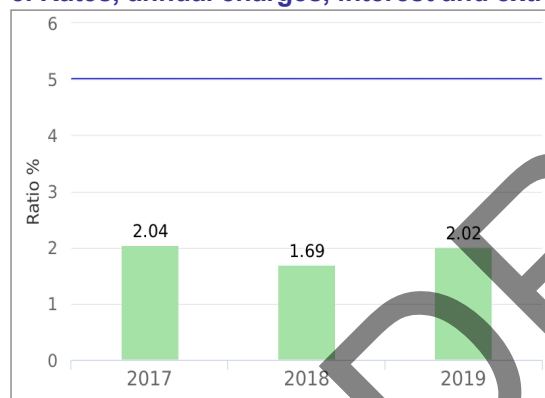
Benchmark: — &gt; 2x

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

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 2018/19 result

2018/19 ratio 2.02%

This result is considered to be a good result. The slight increase is reflective of the current economic environment.

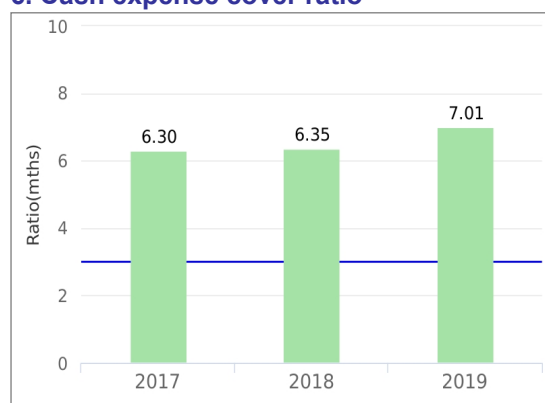
Benchmark: — &lt; 5.00%

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

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 2018/19 result

2018/19 ratio 7.01 mths

This ratio is considered to be a good result as expenses can be paid without a demand on additional cash flows.

Benchmark: — &gt; 3mths

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

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Financial review

\$ '000	2019	2018	2017	2016	2015
<b>Key financial figures of Council over the past 5 years</b>					
<b>Inflows:</b>					
Rates and annual charges revenue	50,122	47,869	45,979	44,020	42,162
User charges revenue	10,493	13,340	11,577	8,057	7,510
Interest and investment revenue (losses)	1,165	978	1,051	1,515	1,098
Grants income – operating and capital	12,423	12,695	21,552	14,411	10,610
Total income from continuing operations	93,340	121,386	94,802	86,317	79,466
Sale proceeds from I,PP&E	1,034	1,498	1,122	1,259	692
New loan borrowings and advances	–	2,960	–	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	33,931	31,586	30,065	29,186	27,084
Borrowing costs	559	453	475	552	627
Materials and contracts expenses	19,489	23,157	20,541	19,841	15,734
Total expenses from continuing operations	78,643	82,023	75,998	74,690	72,004
Total cash purchases of I,PP&E	16,505	16,155	25,033	15,526	19,321
Total loan repayments (incl. finance leases)	1,392	1,306	1,152	1,143	1,133
Operating surplus/(deficit) (excl. capital income)	(3,370)	(5,374)	86	(5,268)	(3,468)
<b>Financial position figures</b>					
Current assets	43,942	43,147	42,053	40,349	39,212
Current liabilities	17,272	17,701	18,114	16,569	17,184
Net current assets	26,670	25,446	23,939	23,780	22,028
Available working capital (Unrestricted net current assets)	(2,430)	222	(1,717)	(3,511)	(3,277)
Cash and investments – unrestricted	710	1,451	158	33	1,276
Cash and investments – internal restrictions	23,205	22,095	22,775	24,485	24,909
Cash and investments – total	40,321	39,160	36,539	38,010	37,653
Total borrowings outstanding (Loans, advances and finance leases)	6,860	8,252	6,598	7,750	8,893
Total value of I,PP&E (excl. land and earthworks)	1,066,099	954,806	1,739,886	847,281	816,789
Total accumulated depreciation	270,597	242,664	387,048	188,771	179,492
Indicative remaining useful life (as a % of GBV)	75%	75%	78%	78%	78%

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 24. Council information and contact details

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**Principal place of business:**

62 - 78 Vincent Street  
Cessnock NSW 2325

**Contact details**

**Mailing Address:**

PO Box 152  
Cessnock NSW 2325

**Opening hours:**

9:00am - 5:00pm  
Monday to Friday

**Telephone:** 02 49934100

**Facsimile:** 02 49932500

**Internet:** [www.cessnock.nsw.gov.au](http://www.cessnock.nsw.gov.au)

**Email:** [council@cessnock.nsw.gov.au](mailto:council@cessnock.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Mr Stephen Glen (retired 31/7/2019)  
Mr Robert Maginnity (interim General Manager)

**RESPONSIBLE ACCOUNTING OFFICER**

Ms Darrylen Allan (acting Responsible Accounting Officer)

**PUBLIC OFFICER**

Ms Darrylen Allan (acting Public Officer)

**AUDITORS**

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

GPO Box 12 Sydney NSW 2001

**Elected members**

**MAYOR**

Councillor Bob Pynsent

**COUNCILLORS**

Councillor Anthony Burke  
Councillor Melanie Dagg  
Councillor Rodney Doherty  
Councillor Paul Dunn  
Councillor John Fagg  
Councillor Dianne Fitzgibbon  
Councillor Darrin Gray  
Councillor Mark Lyons  
Councillor Ian Olsen  
Councillor Anne Sander  
Councillor Allan Stapleford  
Councillor Jay Suvaal

**Other information**

**ABN:** 60 919 148 928

## General Purpose Financial Statements

for the year ended 30 June 2019

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### Independent Auditor's Report

Please upift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

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

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### Independent Auditor's Report

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

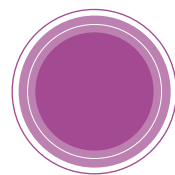
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# **Special Purpose Financial Statements**

For the Year Ended

30 June 2019





# Special Purpose Financial Statements

for the year ended 30 June 2019

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## Background

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

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

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

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

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

## Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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 04 September 2019.

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Councillor Bob Pynsent  
Mayor  
04 September 2019

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Councillor Melanie Dagg  
Councillor  
04 September 2019

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Mr Robert Maginnity  
Interim General Manager  
04 September 2019

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Ms Darrylen Allan  
Acting Responsible Accounting Officer  
04 September 2019



# Income Statement – Strategic Services Australia Limited

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
User charges	488	515
Grants and contributions provided for non-capital purposes	83	122
Profit from the sale of assets	–	114
Other income	14	21
<b>Total income from continuing operations</b>	<b>585</b>	<b>772</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	371	401
Borrowing costs	1	13
Materials and contracts	124	155
Depreciation, amortisation and impairment	11	17
Other expenses	129	129
<b>Total expenses from continuing operations</b>	<b>636</b>	<b>715</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(51)</b>	<b>57</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(51)</b>	<b>57</b>
Surplus (deficit) from discontinued operations	–	256
<b>Surplus (deficit) from all operations before tax</b>	<b>(51)</b>	<b>313</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(16)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(51)</b>	<b>297</b>
<b>Plus accumulated surplus</b>	<b>565</b>	<b>252</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	–	16
<b>Add:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>514</b>	<b>565</b>
<b>Return on capital %</b>	<b>(142.9)%</b>	<b>145.8%</b>
<b>Subsidy from Council</b>	<b>51</b>	<b>–</b>

# Statement of Financial Position – Strategic Services Australia Limited

for the year ended 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	549	522
Receivables	70	174
Other	93	6
<b>Total current assets</b>	<b>712</b>	<b>702</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	35	48
<b>Total non-current assets</b>	<b>35</b>	<b>48</b>
<b>TOTAL ASSETS</b>	<b>747</b>	<b>750</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	66	69
Borrowings	15	–
Provisions	62	65
Other Current Liabilities	87	48
<b>Total current liabilities</b>	<b>230</b>	<b>182</b>
<b>Non-current liabilities</b>		
Provisions	3	3
<b>Total non-current liabilities</b>	<b>3</b>	<b>3</b>
<b>TOTAL LIABILITIES</b>	<b>233</b>	<b>185</b>
<b>NET ASSETS</b>	<b>514</b>	<b>565</b>
<b>EQUITY</b>		
Accumulated surplus	514	565
<b>TOTAL EQUITY</b>	<b>514</b>	<b>565</b>

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

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

##### a. Strategic Services Australia Ltd

Activities include Environment Division, Screen Hunter, Regional Procurement, Local Government Training Institute, Administration Services and Hunter Councils Legal Services.

#### Monetary amounts

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

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

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

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#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

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

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

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#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.38% at 30/6/19.

#### (iv) Dividends

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

## Special Purpose Financial Statements

for the year ended 30 June 2019

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Please upift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

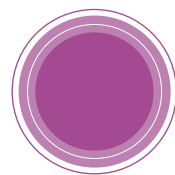
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# Special Schedules

For the Year Ended  
30 June 2019



Special Schedules  
for the year ended 30 June 2019

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Contents	Page
<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets	4

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

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	37,579	35,946
Plus or minus adjustments <sup>2</sup>	b	713	755
<b>Notional general income</b>	$c = a + b$	<b>38,292</b>	<b>36,701</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = c \times e$	1,034	844
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>39,326</b>	<b>37,545</b>
Plus (or minus) last year's carry forward total	l	(29)	5
<b>Sub-total</b>	$n = (l + m)$	<b>(29)</b>	<b>5</b>
<b>Total permissible income</b>	$o = k + n$	<b>39,297</b>	<b>37,550</b>
Less notional general income yield	p	39,242	37,579
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>55</b>	<b>(29)</b>
<b>Carry forward to next year <sup>3</sup></b>	$t = q + r - s$	<b>55</b>	<b>(29)</b>

## Notes

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

## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Buildings	12,413	46,991	1,820	2,041	59,787	125,387	7.3%	16.8%	38.8%	26.6%	10.4%
	<b>Sub-total</b>	<b>12,413</b>	<b>46,991</b>	<b>1,820</b>	<b>2,041</b>	<b>59,787</b>	<b>125,387</b>	<b>7.3%</b>	<b>16.8%</b>	<b>38.8%</b>	<b>26.6%</b>	<b>10.4%</b>
<b>Roads</b>	Sealed roads	17,372	57,508	2,210	2,740	447,154	540,717	71.4%	9.2%	12.7%	4.6%	2.1%
	Unsealed roads	1,898	3,354	2,433	2,402	63,494	71,581	85.4%	4.8%	5.4%	2.8%	1.6%
	Bridges	595	1,710	574	426	33,841	47,010	41.2%	44.1%	11.1%	1.4%	2.3%
	Footpaths	152	183	204	178	15,934	20,483	44.1%	44.1%	11.0%	0.9%	–
	Other road assets	1,349	2,925	759	846	52,883	73,432	26.5%	54.1%	15.5%	3.0%	0.9%
	<b>Sub-total</b>	<b>21,366</b>	<b>65,680</b>	<b>6,180</b>	<b>6,592</b>	<b>613,306</b>	<b>753,223</b>	<b>65.7%</b>	<b>16.3%</b>	<b>12.1%</b>	<b>4.0%</b>	<b>1.9%</b>
<b>Stormwater drainage</b>	Stormwater drainage	483	556	412	433	79,958	101,000	39.9%	49.0%	10.6%	0.4%	0.1%
	<b>Sub-total</b>	<b>483</b>	<b>556</b>	<b>412</b>	<b>433</b>	<b>79,958</b>	<b>101,000</b>	<b>39.9%</b>	<b>49.0%</b>	<b>10.6%</b>	<b>0.4%</b>	<b>0.1%</b>
<b>Open space / recreational assets</b>	Swimming pools	77	1,165	–	–	2,851	4,864	–	48.1%	51.9%	–	–
	Open Space	1,247	2,689	2,430	2,863	12,722	21,300	19.5%	38.9%	30.6%	6.3%	4.7%
	<b>Sub-total</b>	<b>1,324</b>	<b>3,854</b>	<b>2,430</b>	<b>2,863</b>	<b>15,573</b>	<b>26,164</b>	<b>15.9%</b>	<b>40.6%</b>	<b>34.6%</b>	<b>5.1%</b>	<b>3.8%</b>
<b>Other infrastructure assets</b>	Other	139	278	129	13	5,162	6,028	68.4%	24.5%	2.5%	–	4.6%
	<b>Sub-total</b>	<b>139</b>	<b>278</b>	<b>129</b>	<b>13</b>	<b>5,162</b>	<b>6,028</b>	<b>68.4%</b>	<b>24.5%</b>	<b>2.5%</b>	<b>–</b>	<b>4.6%</b>
<b>TOTAL - ALL ASSETS</b>		<b>35,725</b>	<b>117,359</b>	<b>10,971</b>	<b>11,942</b>	<b>773,786</b>	<b>1,011,802</b>	<b>54.6%</b>	<b>20.3%</b>	<b>15.8%</b>	<b>6.4%</b>	<b>2.8%</b>

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

## Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018      2017		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio <sup>1</sup>					
Asset renewals <sup>2</sup>	6,551	69.50%	88.19%	158.46%	>=100.00%
Depreciation, amortisation and impairment	9,426				
Infrastructure backlog ratio <sup>1</sup>					
Estimated cost to bring assets to a satisfactory standard	35,725	4.62%	4.26%	3.40%	<2.00%
Net carrying amount of infrastructure assets	773,786				
Asset maintenance ratio					
Actual asset maintenance	11,942	108.85%	107.89%	102.19%	>100.00%
Required asset maintenance	10,971				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	117,359	11.60%	12.85%	9.55%	>0.00%
Gross replacement cost	1,011,802				

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

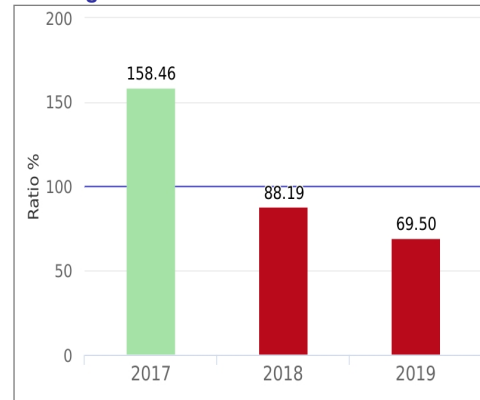
(1) Excludes Work In Progress (WIP)

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

### Buildings and infrastructure renewals ratio <sup>1</sup>



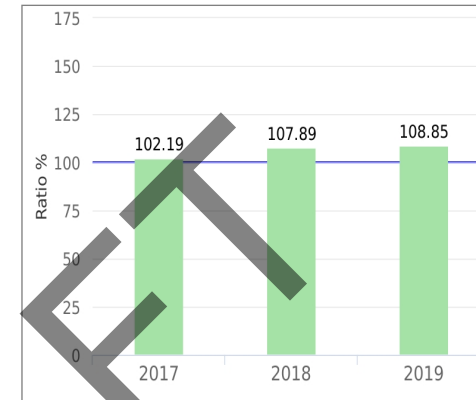
Infrastructure renewals ratio	Commentary on result
	18/19 ratio 69.50%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Prior to 2018, WIP was included in the renewals amount which incorrectly overstated this ratio. Depreciation has increased and renewals has decreased resulting in a negative impact on this ratio compared to last year.

Benchmark: —  $\geq 100.00\%$

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

Ratio achieves benchmark  
Ratio is outside benchmark

### Asset maintenance ratio



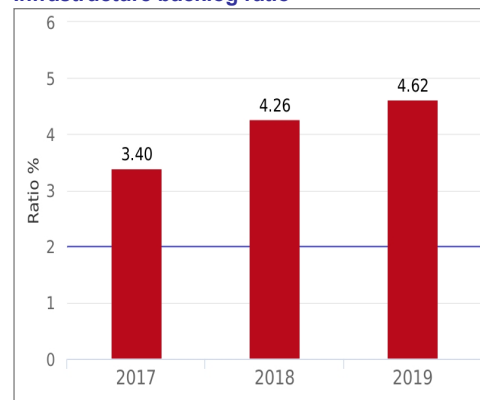
Asset maintenance ratio	Commentary on result
	18/19 ratio 108.85%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	Council has carried out sufficient maintenance on assets as identified in the Asset Management Plans.

Benchmark: —  $> 100.00\%$

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

Ratio achieves benchmark  
Ratio is outside benchmark

### Infrastructure backlog ratio <sup>1</sup>



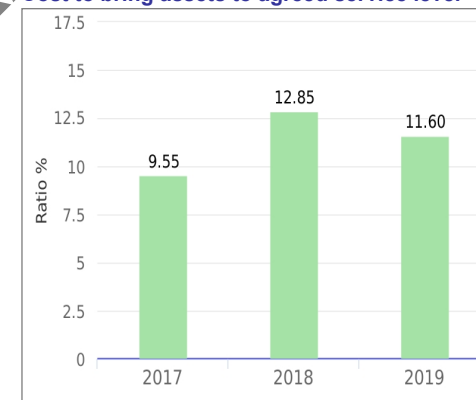
Infrastructure backlog ratio	Commentary on result
	18/19 ratio 4.62%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	There has been a slight increase in this ratio. Cost to bring assets to a satisfactory standard (condition 3) has increased in relation to the net carrying amount of these assets.

Benchmark: —  $< 2.00\%$

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

Ratio achieves benchmark  
Ratio is outside benchmark

### Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	18/19 ratio 11.60%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	Council has improved its ratio. Cost to fully replace assets worse than a condition 3 (being the agreed level of service) has decreased in relation to the gross carrying amount of these assets.

Benchmark: —  $> 0.00\%$

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

Ratio achieves benchmark  
Ratio is outside benchmark

(1) Excludes Work In Progress (WIP)