



CUMBERLAND  
COUNCIL

# Cumberland Council

---

## General Purpose Financial Statements

1 July 2018 - 30 June 2019



## General Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>4</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>5</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
<b>4. Notes to the Financial Statements</b>	<b>11</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	70
On the Financial Statements (Sect 417 [3])	73

### Overview

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

16 Memorial Ave  
Merrylands NSW 2160

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

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

---

#### Introduction

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

#### What you will find in the Statements

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

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

# Cumberland Council

## General Purpose Financial Statements

for the year ended 30 June 2019

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

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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:

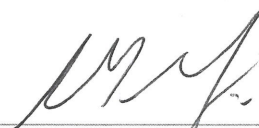
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 16 October 2019.



Steve Christou  
Mayor  
16/10/2019



Eddy Sarkis  
Deputy Mayor  
16/10/2019



Hamish McNulty  
General Manager  
16/10/2019



Richard Sheridan  
Responsible Accounting Officer  
16/10/2019

## 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>				
<u>Revenue:</u>				
129,265	Rates and annual charges	3a	129,612	115,223
26,235	User charges and fees	3b	26,846	23,383
4,457	Interest and investment revenue	3c	4,675	4,642
9,934	Other revenues	3d	10,362	9,441
21,541	Grants and contributions provided for operating purposes	3e,3f	21,760	23,315
36,436	Grants and contributions provided for capital purposes	3e,3f	18,723	29,167
<u>Other income:</u>				
712	Net gains from the disposal of assets	5	3,940	–
–	Fair value increment on investment properties	10	9,941	–
800	Net share of interests in joint ventures and associates using the equity method	16	315	874
229,380	<b>Total income from continuing operations</b>		226,174	206,045
<b>Expenses from continuing operations</b>				
83,268	Employee benefits and on-costs	4a	84,451	77,048
597	Borrowing costs	4b	688	649
55,818	Materials and contracts	4c	61,567	56,475
29,786	Depreciation and amortisation	4d	32,470	29,800
22,053	Other expenses	4e	24,067	21,177
–	Net losses from the disposal of assets	5	–	141
191,522	<b>Total expenses from continuing operations</b>		203,243	185,290
37,858	<b>Operating result from continuing operations</b>		22,931	20,755
37,858	<b>Net operating result for the year</b>		22,931	20,755
37,858	Net operating result attributable to council		22,931	20,755
1,422	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		4,208	(8,412)

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>22,931</b>	<b>20,755</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	38	128,390
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>38</b>	<b>128,390</b>
<b>Total other comprehensive income for the year</b>		<b>38</b>	<b>128,390</b>
<b>Total comprehensive income for the year</b>		<b>22,969</b>	<b>149,145</b>
Total comprehensive income attributable to Council		22,969	149,145

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

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

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	13,687	6,804
Investments	6(b)	86,982	71,004
Receivables	7	13,285	10,811
Inventories	8a	148	163
Other	8b	1,813	1,975
<b>Total current assets</b>		<u>115,915</u>	<u>90,757</u>
<b>Non-current assets</b>			
Investments	6(b)	49,662	64,206
Infrastructure, property, plant and equipment	9	2,318,054	2,337,333
Investment property	10a	66,811	–
Intangible assets	11	3,394	2,679
Investments accounted for using the equity method	16	5,292	4,977
<b>Total non-current assets</b>		<u>2,443,213</u>	<u>2,409,195</u>
<b>TOTAL ASSETS</b>		<u>2,559,128</u>	<u>2,499,952</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	29,284	31,145
Borrowings	12	4,961	1,257
Provisions	13	21,745	18,889
<b>Total current liabilities</b>		<u>55,990</u>	<u>51,291</u>
<b>Non-current liabilities</b>			
Borrowings	12	33,812	8,358
Provisions	13	384	876
<b>Total non-current liabilities</b>		<u>34,196</u>	<u>9,234</u>
<b>TOTAL LIABILITIES</b>		<u>90,186</u>	<u>60,525</u>
<b>Net assets</b>		<u>2,468,942</u>	<u>2,439,427</u>
<b>EQUITY</b>			
Accumulated surplus	14a	2,340,514	2,311,037
Revaluation reserves	14a	128,428	128,390
<b>Council equity interest</b>		<u>2,468,942</u>	<u>2,439,427</u>
<b>Total equity</b>		<u>2,468,942</u>	<u>2,439,427</u>

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

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



## Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		2,311,037	128,390	2,439,427	2,290,281	–	2,290,281
<b>Restated opening balance</b>		<b>2,311,037</b>	<b>128,390</b>	<b>2,439,427</b>	<b>2,290,281</b>	<b>–</b>	<b>2,290,281</b>
Net operating result for the year		22,931	–	22,931	20,755	–	20,755
<b>Restated net operating result for the period</b>		<b>22,931</b>	<b>–</b>	<b>22,931</b>	<b>20,755</b>	<b>–</b>	<b>20,755</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	38	38	–	128,390	128,390
<b>Other comprehensive income</b>		<b>–</b>	<b>38</b>	<b>38</b>	<b>–</b>	<b>128,390</b>	<b>128,390</b>
<b>Total comprehensive income</b>		<b>22,931</b>	<b>38</b>	<b>22,969</b>	<b>20,755</b>	<b>128,390</b>	<b>149,145</b>
Other Adjustment		6,546	–	6,546	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>2,340,514</b>	<b>128,428</b>	<b>2,468,942</b>	<b>2,311,037</b>	<b>128,390</b>	<b>2,439,427</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>				
127,292	Rates and annual charges		127,119	113,323
25,263	User charges and fees		26,952	23,838
4,408	Investment and interest revenue received		4,539	5,260
59,516	Grants and contributions		37,944	55,645
–	Bonds, deposits and retention amounts received		810	1,840
11,396	Other		11,947	35,120
<u>Payments</u>				
(82,902)	Employee benefits and on-costs		(82,085)	(76,437)
(57,765)	Materials and contracts		(61,013)	(66,542)
(597)	Borrowing costs		(688)	(649)
(20,390)	Other		(27,217)	(33,333)
66,221	<b>Net cash provided (or used in) operating activities</b>	15b	38,308	58,065
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
11,071	Sale of investment securities		–	–
1,000	Sale of infrastructure, property, plant and equipment		4,120	3,724
<u>Payments</u>				
–	Purchase of investment securities		(1,222)	(15,499)
(74,609)	Purchase of infrastructure, property, plant and equipment		(61,537)	(53,945)
(2,839)	Purchase of intangible assets		(1,936)	–
(65,377)	<b>Net cash provided (or used in) investing activities</b>		(60,575)	(65,720)
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
–	Proceeds from borrowings and advances		30,000	–
<u>Payments</u>				
(1,257)	Borrowings and advances		(850)	(1,245)
(1,257)	<b>Net cash flow provided (used in) financing activities</b>		29,150	(1,245)
(413)	<b>Net increase/(decrease) in cash and cash equivalents</b>		6,883	(8,900)
10,413	Plus: cash and equivalents – beginning of reporting period	15a	6,804	15,704
10,000	<b>Cash and cash equivalents – end of the year</b>	15a	13,687	6,804
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	136,644	135,210
10,000	<b>Total cash, cash equivalents and investments</b>		150,331	142,014

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

## Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	12
2(a)	Council functions/activities – financial information	16
2(b)	Council functions/activities – component descriptions	17
3	Income from continuing operations	19
4	Expenses from continuing operations	25
5	Gains or losses from the disposal, replacement and de-recognition of assets	29
6(a)	Cash and cash equivalent assets	29
6(b)	Investments	30
6(c)	Restricted cash, cash equivalents and investments – details	32
7	Receivables	33
8	Inventories and other assets	35
9	Infrastructure, property, plant and equipment	36
10	Investment property	40
11	Intangible assets	41
12	Payables and borrowings	42
13	Provisions	44
14	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	46
15	Statement of cash flows – additional information	47
16	Interests in other entities	48
17	Commitments	50
18	Contingencies and other assets/liabilities not recognised	51
19	Financial risk management	54
20	Material budget variations	58
21	Fair Value Measurement	60
22	Related Party Transactions	63
23	Statement of developer contributions	64
24(a)	Statement of performance measures – consolidated results	66
	<b>Additional Council disclosures (unaudited)</b>	
24(b)	Statement of performance measures – consolidated results (graphs)	67
25	Council information and contact details	69

## 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 16 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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

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

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

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

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

and are clearly marked.

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

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

##### **AASB 9 Financial Instruments**

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018.

The adoption of AASB 9 has impacted the following areas:

##### *Classification and measurement of financial assets*

AASB 9 allows for three classification categories for financial assets - amortised cost, fair value through profit and loss (FVTPL), and fair value through other comprehensive income - equity instrument (FVOCI-Equity). Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of Council have remained at amortised cost, with the exception of Floating Rate Notes (FRN's) and Bonds. These instruments have transitioned from being held at cost under AASB 139, to fair value through profit or loss - Note 6 (b).

##### *Impairment of financial assets*

Council's financial assets carried at amortised cost are now subject to AASB 9's new three stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses.

#### (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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

#### 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) employee benefit provisions – refer Note 13.

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

- (i) Impairment of receivables

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations

##### (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.

#### 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 periods and have not been adopted early by Council.

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

#### **AASB 16 Leases**

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

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

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

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

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

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

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

Particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

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

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

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

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

**Council has not applied any pronouncements before its operative date in the annual reporting period ending 30 June 2019.**

## 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>										
Community Programs and Events	2,948	2,672	13,481	9,730	(10,533)	(7,058)	1,558	1,602	–	–
Roads and Stormwater	14,742	9,150	35,423	27,555	(20,681)	(18,405)	4,991	2,681	1,290,120	1,262,239
Parks and Recreation	3,710	5,420	26,081	13,808	(22,371)	(8,388)	1,275	199	796,782	41,533
Environmental Programs	640	360	2,546	2,034	(1,906)	(1,674)	20	100	–	–
Household Waste and Recycling	33,251	25,245	40,369	35,703	(7,118)	(10,458)	357	492	3,079	–
Children's Services	12,796	12,686	19,776	12,961	(6,980)	(275)	1,640	5,721	5,837	5,822
Urban Planning and Development	19,801	33,597	17,410	9,457	2,391	24,140	759	–	–	–
Regulatory Programs	5,910	4,942	11,326	6,535	(5,416)	(1,593)	17	23	–	–
Libraries	927	772	7,263	5,711	(6,336)	(4,939)	733	620	21,767	22,165
Pools	2,252	2,070	5,749	4,737	(3,497)	(2,667)	–	–	26,567	26,254
Governance	–	1	900	1,266	(900)	(1,265)	–	–	–	–
Community Facilities	6,610	4,766	11,450	19,259	(4,840)	(14,493)	193	–	212,690	948,278
Corporate	122,586	104,282	11,469	36,534	111,117	67,748	8,647	7,180	202,286	193,661
<b>Total functions and activities</b>	<b>226,173</b>	<b>205,963</b>	<b>203,243</b>	<b>185,290</b>	<b>22,930</b>	<b>20,673</b>	<b>20,190</b>	<b>18,618</b>	<b>2,559,128</b>	<b>2,499,952</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

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

#### Community Programs and Events

Council provides a wide range of cultural, social and community focused projects and programs aimed at access, inclusion and harmony. This includes Youth Programs, Health and Wellbeing, Aged and Disability Services, Community Centres, Community Organisations, and Business Engagement.

#### Roads and Stormwater

Council maintains the local roads through a program of capital works and precinct audits. Council also manages an extensive system of stormwater drains. This includes Road Maintenance, Footpath/Kerb and Gutter Maintenance, Drainage Maintenance and Street Cleaning.

#### Parks and Recreation

Council manages an extensive network of parks and recreational reserves where residents can play, socialise and connect with others. Council is responsible for designing and planning local open spaces, sportsgrounds and play spaces. Council also maintains local parks and gardens, sportsgrounds, golf courses, play spaces, hard courts, bush reserves, corridors and streetscapes that make up the approximately 800 ha of green space in Cumberland.

#### Environmental Programs

Council provides a wide range of community-focused waste education and environmental initiatives to help residents live sustainably. Council has also partnered with external agencies to look after and improve local waterways, works with schools to engage children and families and is developing a management plan for vegetation across Cumberland.

#### Household Waste and Recycling

Council ensures scheduled garbage and recycling bin collection for all residents. This includes a pre-booked household clean-up service as well as dedicated collection services for problem and electronic waste types. Council also collects illegally dumped rubbish to keep kerbsides and public spaces tidy.

#### Children's Services

Council manages 17 education and care centres. This includes long day preschools, before and after school programs, school holiday programs, occasional care and family day care services.

#### Urban Planning and Development

Council provides strategic planning and development services to ensure land is used in the best way for the community and complies with Council's best practice planning policies. This service also includes coordinating new developments with infrastructure and economic growth such as innovative land uses, transport, green spaces and community facilities.

#### Regulatory Programs

Council is responsible for regulating and enforcing health and safety standards across its LGA. This includes investigation of complaints in regard to illegal and unauthorised building works or landuse, Issuance of Notices/Orders/Infringements for identified offences and/or instigating action in either the Local or Land and Environment Court, Investigation and actioning of Swimming Pool Act non-compliances, Food Safety Surveillance Program, Skin Penetration and Public Health Surveillance Program, Legionella Surveillance, Companion Animal Program.

#### Libraries

Council provides a network of 8 libraries which is a 'one-stop shop' information hub, where residents can come to learn, relax, meet up and borrow a range of resources. Council facilitates and conducts community learning, educational, recreational and development programs in its libraries.

**Notes to the Financial Statements**

for the year ended 30 June 2019

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

---

**Pools**

Council operates five pools located at Lidcombe, Merrylands, Granville, Guildford and Wentworthville. Services include learn to swim programs, sporting events, gyms and family leisure activities.

**Governance**

Includes costs relating to Council's role as a component of a democratic government, including elections, councillors fees, expenses, subscription to local association, meeting of council and policy-making committees, public disclosure (e.g.GIPA), and legislative compliance

**Community Facilities**

The facilities include multipurpose community centres, arts and cultural facilities, halls and meeting rooms. Users of facilities are primarily not-for-profit community organisations, but also include private bookings for functions and commercial use.

**Corporate**

Overall Administration services to facilitate the efficient delivery of Council's services. Key activities includes: Finance, Human Resources, Information Technology, Corporate Planning, Record Management.

## 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	65,036	59,712
Business	30,781	28,525
Less: pensioner rebates	(1,012)	–
<b>Rates levied to ratepayers</b>	<b>94,805</b>	<b>88,237</b>
Pensioner rate subsidies received	1,070	933
<b>Total ordinary rates</b>	<b>95,875</b>	<b>89,170</b>
<b>Special rates</b>		
Stormwater management services (s496(a))	1,737	1,705
<b>Rates levied to ratepayers</b>	<b>1,737</b>	<b>1,705</b>
<b>Total special rates</b>	<b>1,737</b>	<b>1,705</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	32,003	31,348
Less: pensioner rebates	(360)	–
Less: One Off Waste Reserve Refund	–	(7,486)
<b>Annual charges levied</b>	<b>31,643</b>	<b>23,862</b>
Pensioner subsidies received:		
– Domestic waste management	357	486
<b>Total annual charges</b>	<b>32,000</b>	<b>24,348</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>	<b><u>129,612</u></b>	<b><u>115,223</u></b>

Council has used 2017 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>Specific user charges</b>		
<small>(per s.502 - specific 'actual use' charges)</small>		
Waste management services (non-domestic)	577	547
<b>Total specific user charges</b>	<b>577</b>	<b>547</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building regulation	202	524
Inspection services	673	579
Registration fees	140	147
Section 10.7 certificates (EP&A Act)	424	514
Section 603 certificates	187	241
Town planning	2,696	3,362
Other	423	–
<b>Total fees and charges – statutory/regulatory</b>	<b>4,745</b>	<b>5,367</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aged care	358	398
Child care	11,054	6,808
Community centres	739	891
Lease rentals	258	370
Parking fees	189	125
Restoration charges	2,100	2,597
Swimming centres	1,992	1,738
Administration	49	42
Community festivals	348	331
Community services	665	500
Function centres	784	954
Other	36	83
Housing and community amenities	112	113
Libraries	82	73
Recreation and parks	1,664	1,372
Transport and communication	1,094	1,074
<b>Total fees and charges – other</b>	<b>21,524</b>	<b>17,469</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>26,846</b>	<b>23,383</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
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	398	282
– Cash and investments	4,065	4,263
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	212	97
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>4,675</u></b>	<b><u>4,642</u></b>

**Accounting policy for interest and investment revenue**

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

**(d) Other revenues**

Rental income – other council properties	2,877	2,283
Fines – parking	4,821	4,129
Fines – other	482	535
Legal fees recovery – rates and charges (extra charges)	197	209
Legal fees recovery – other	176	250
Commissions and agency fees	10	3
Diesel rebate	83	90
Insurance claims recoveries	369	351
Other	547	703
Vehicle lease recovery	776	853
Lifelong learning	19	16
Community services and education	5	19
Fair value increments - investment properties	–	–
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>10,362</u></b>	<b><u>9,441</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 are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

Fair value increments of Investment Properties is a one-off adjustment due to the transfer of assets from PPE to Investment Property.

## 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	8,614	6,988	–	–
<b>Total general purpose</b>	<b>8,614</b>	<b>6,988</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	–	–	–	–
Aged care	1,082	1,295	–	–
Community care	1,844	461	–	–
Environmental programs	15	26	–	–
Heritage and cultural	65	70	–	–
Library	733	620	–	20
LIRS subsidy	66	32	–	–
Recreation and culture	–	–	2,081	219
Street lighting	1,292	645	–	–
Traffic route subsidy	22	22	–	–
Transport (roads to recovery)	313	1,416	–	–
Transport (other roads and bridges funding)	472	1,137	1,287	30
Child care/family day care	1,307	5,584	–	–
Other	995	51	–	–
Health services	2	2	–	–
<b>Total specific purpose</b>	<b>8,208</b>	<b>11,361</b>	<b>3,368</b>	<b>269</b>
<b>Total grants</b>	<b>16,822</b>	<b>18,349</b>	<b>3,368</b>	<b>269</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	14,300	16,132	1,280	–
– State funding	1,995	1,040	2,088	–
– Other funding	527	1,177	–	269
	<b>16,822</b>	<b>18,349</b>	<b>3,368</b>	<b>269</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: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	10,212	21,081
S 7.11 – LGA administration		–	–	1,285	3,203
S 7.11a – employment generation development		–	–	3,067	4,151
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>14,564</b>	<b>28,435</b>
<b>Total developer contributions</b>	23	<b>–</b>	<b>–</b>	<b>14,564</b>	<b>28,435</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Dedications		–	–	791	–
Recreation and culture		1,365	3,333	–	–
Roads and bridges		–	10	–	–
RMS contributions (regional roads, block grant)		1,652	53	–	463
Other		785	641	–	–
Community enhancement fund		510	627	–	–
Volunteers		7	79	–	–
Waste performance program		228	223	–	–
<b>Total other contributions – cash</b>		<b>4,547</b>	<b>4,966</b>	<b>791</b>	<b>463</b>
<b>Non-cash contributions</b>					
Other		391	–	–	–
<b>Total other contributions – non-cash</b>		<b>391</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>		<b>4,938</b>	<b>4,966</b>	<b>791</b>	<b>463</b>
<b>Total contributions</b>		<b>4,938</b>	<b>4,966</b>	<b>15,355</b>	<b>28,898</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>21,760</b>	<b>23,315</b>	<b>18,723</b>	<b>29,167</b>

**Accounting policy for grants and contributions**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Operating grants recognised in the current period that have not been spent.	725	1,142
<b>Add:</b> operating grants recognised in the current period but not yet spent	–	–
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	558
<b>Less:</b> operating grants recognised in a previous reporting period now spent	–	(975)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>725</u>	<u>725</u>
<b>Capital grants</b>		
Capital grants recognised in the current period that have not been spent.	13,755	17,225
<b>Add:</b> capital grants recognised in the current period but not yet spent	–	–
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	114
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(11,969)	(3,584)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>1,786</u>	<u>13,755</u>
<b>Contributions</b>		
Contributions recognised in the current period that have not been spent.	57,391	38,365
<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	17,110	30,352
<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	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(7,853)	(11,326)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>66,648</u>	<u>57,391</u>



## 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	65,053	59,404
Employee termination costs	1,377	1,934
Travel expenses	107	62
Employee leave entitlements (ELE)	10,421	8,981
Superannuation – defined contribution plans	6,210	5,345
Superannuation – defined benefit plans	1,062	1,344
Workers' compensation insurance	3,339	2,132
Fringe benefit tax (FBT)	376	425
Training costs (other than salaries and wages)	898	741
Protective clothing	224	293
<b>Total employee costs</b>	<b>89,067</b>	<b>80,661</b>
Less: capitalised costs	(4,616)	(3,613)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>84,451</b>	<b>77,048</b>
Number of 'full-time equivalent' employees (FTE) at year end	926	872

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

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

**(b) Borrowing costs****(i) Interest bearing liability costs**

Interest on loans	688	649
<b>Total interest bearing liability costs expensed</b>	<b>688</b>	<b>649</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>688</b>	<b>649</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	16,517	13,479
Contractor and consultancy costs	9,161	8,690
– waste disposal tipping fees	20,333	17,763
– facility and infrastructure management	6,448	7,245
– agency staff	4,180	4,499
– other	2,649	1,945
Auditors remuneration <sup>2</sup>	208	175
Infringement notice contract costs (SEINS)	548	440
<b>Legal expenses:</b>		
– Legal expenses: planning and development	880	782
– Legal expenses: debt recovery	273	230
– Legal expenses: other	125	963
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	245	264
<b>Total materials and contracts</b>	<u>61,567</u>	<u>56,475</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>61,567</u>	<u>56,475</u>

**Accounting policy for operating leases**

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

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

Plant & Equipment	245	264
	<u>245</u>	<u>264</u>

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	208	175
<b>Remuneration for audit and other assurance services</b>	<u>208</u>	<u>175</u>
<b>Total Auditor-General remuneration</b>	<u>208</u>	<u>175</u>

**Non NSW Auditor-General audit firms**

<b>Total remuneration of non NSW Auditor-General audit firms</b>	<u>–</u>	<u>–</u>
<b>Total Auditor remuneration</b>	<u>208</u>	<u>175</u>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,282	2,256
Office equipment		475	333
Furniture and fittings		252	248
<b>Infrastructure:</b>			
– Buildings		6,560	6,333
– Roads		9,862	8,931
– Bridges		553	553
– Footpaths		2,206	2,005
– Stormwater drainage		5,342	5,319
– Swimming pools		469	448
– Other open space/recreational assets		2,670	2,228
<b>Other assets:</b>			
– Library books		387	348
– Other		191	99
Intangible assets	11	1,221	699
<b>Total gross depreciation and amortisation costs</b>		<b>32,470</b>	<b>29,800</b>
Total depreciation and amortisation costs		32,470	29,800
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</u></b>		<b><u>32,470</u></b>	<b><u>29,800</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 9 for IPPE assets and Note 11 for intangible assets.

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

**Impairment of non-financial assets**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	594	608
Bad and doubtful debts	(24)	108
Bank charges	374	402
Contributions/levies to other levels of government		
– Department of planning levy	352	348
– NSW fire brigade levy	2,421	2,095
– Other contributions/levies	15	–
Councillor expenses – mayoral fee	86	63
Councillor expenses – councillors' fees	443	347
Councillors' expenses (incl. mayor) – other (excluding fees above)	75	65
Donations, contributions and assistance to other organisations (Section 356)	20	–
– Donations, contributions and assistance	731	536
Electricity and heating	2,090	2,197
Insurance	2,336	1,865
Postage	470	472
Printing and stationery	396	450
Street lighting	3,690	1,740
Subscriptions and publications	321	481
Telephone and communications	1,514	1,451
Valuation fees	296	356
Education programs	36	40
Community events	2,678	1,926
Information technology fees	2,714	3,352
Water rates and charges	1,197	1,257
Gas charges	123	113
Publicity, promotions, events	288	266
Other	831	639
<b>Total other expenses</b>	<b>24,067</b>	<b>21,177</b>
<b>TOTAL OTHER EXPENSES</b>	<b>24,067</b>	<b>21,177</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		3,887	–
Less: carrying amount of property assets sold/written off		(180)	–
<b>Net gain/(loss) on disposal</b>		<b>3,707</b>	<b>–</b>
<b>Plant and equipment</b>			
	9		
Proceeds from disposal – plant and equipment		233	3,724
Less: carrying amount of plant and equipment assets sold/written off		–	(3,865)
<b>Net gain/(loss) on disposal</b>		<b>233</b>	<b>(141)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>3,940</b>	<b>(141)</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.

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

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	507	667
Cash-equivalent assets		
– Managed funds	13,180	6,137
<b>Total cash and cash equivalents</b>	<b>13,687</b>	<b>6,804</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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss' – 'Held for trading'	17,982	23,662	1,004	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	69,000	26,000	70,000	64,206
<b>Total Investments</b>	<b>86,982</b>	<b>49,662</b>	<b>71,004</b>	<b>64,206</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>100,669</b>	<b>49,662</b>	<b>77,808</b>	<b>64,206</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	17,982	18,673	1,004	–
Other long term financial assets	–	4,989	–	–
<b>Total</b>	<b>17,982</b>	<b>23,662</b>	<b>1,004</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	69,000	26,000	70,000	32,000
NCD's, FRN's (with maturities > 3 months)	–	–	–	32,206
<b>Total</b>	<b>69,000</b>	<b>26,000</b>	<b>70,000</b>	<b>64,206</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

#### **Financial assets through profit or loss**

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

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

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

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

##### **Classification**

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

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

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

##### **(b) Held to maturity investments**

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

##### **(c) Loans and receivables**

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

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

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

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

##### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**Impairment of available for sale investments**

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

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	100,669	49,662	77,808	64,206
<b>attributable to:</b>				
External restrictions	24,580	49,662	2,401	64,206
Internal restrictions	67,616	–	43,479	–
Unrestricted	8,473	–	31,928	–
	100,669	49,662	77,808	64,206

\$ '000	2019	2018
---------	------	------

## Details of restrictions

**External restrictions – other**

Developer contributions – general	66,648	57,391
Specific purpose unexpended grants	2,511	1,818
Domestic waste management	1,557	3,829
Stormwater management	2,180	3,524
Other special levies	27	45
Other	1,319	–

<b>External restrictions – other</b>	<b>74,242</b>	<b>66,607</b>
--------------------------------------	---------------	---------------

<b>Total external restrictions</b>	<b>74,242</b>	<b>66,607</b>
------------------------------------	---------------	---------------

**Internal restrictions**

Employees leave entitlement	5,177	5,139
Stronger community fund	5,850	12,662
Parks and gardens amenities	137	157
Marrong Reserve South	3,200	3,200
Special Rate Variation	4,492	6,236
Woodville Reserve	13,528	14,900
S355 Park committee	1,266	1,185
Merrylands CBD Reserve	28,703	–
Other	5,263	–

<b>Total internal restrictions</b>	<b>67,616</b>	<b>43,479</b>
------------------------------------	---------------	---------------

<b>TOTAL RESTRICTIONS</b>	<b>141,858</b>	<b>110,086</b>
---------------------------	----------------	----------------



## 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	6,580	–	4,087	–
Interest and extra charges	84	–	(141)	–
User charges and fees	1,494	–	1,697	–
Contributions to works	8	–	18	–
Accrued revenues				
– Interest on investments	1,153	–	1,454	–
– Other income accruals	508	–	1,831	–
Government grants and subsidies	1,811	–	63	–
Net GST receivable	1,061	–	1,700	–
Restoration charges	–	–	2	–
Workers' compensation insurance	149	–	131	–
Lease/rental of properties	97	–	147	–
Childrens and community services	292	–	–	–
Other debtors	69	–	(2)	–
<b>Total</b>	<b>13,306</b>	<b>–</b>	<b>10,987</b>	<b>–</b>
<b>Less: provision of impairment</b>				
User charges and fees	(21)	–	(118)	–
Other debtors	–	–	(58)	–
<b>Total provision for impairment – receivables</b>	<b>(21)</b>	<b>–</b>	<b>(176)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>13,285</b>	<b>–</b>	<b>10,811</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>13,285</b>	<b>–</b>	<b>10,811</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>13,285</b>	<b>–</b>	<b>10,811</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)	176	141
+ new provisions recognised during the year	–	58
– amounts already provided for and written off this year	(155)	(23)
<b>Balance at the end of the period</b>	<b>21</b>	<b>176</b>

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

---

#### 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.

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

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

## 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>				
Stores and materials	148	–	163	–
<b>Total inventories at cost</b>	<b>148</b>	<b>–</b>	<b>163</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>148</u></b>	<b><u>–</u></b>	<b><u>163</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	1,813	–	1,975	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>1,813</u></b>	<b><u>–</u></b>	<b><u>1,975</u></b>	<b><u>–</u></b>

#### Accounting policy for inventories and other assets

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

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

##### Inventory held for distribution

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

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

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

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

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

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

\$ '000	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments	Other - Accounting Adjustment	Tfrs from/(to) investment properties	Revalue increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	7,364	–	7,364	59,122	–	–	(39,731)	–	–	–	–	26,755	–	26,755
Plant and equipment	27,696	(19,707)	7,989	2,427	(626)	(2,282)	84	–	–	–	–	28,142	(20,550)	7,592
Office equipment	14,414	(11,524)	2,890	1	–	(475)	912	–	–	–	–	15,327	(11,999)	3,328
Furniture and fittings	5,785	(3,781)	2,004	–	–	(252)	34	–	–	–	–	5,819	(4,033)	1,786
<b>Land:</b>														
– Operational land	426,875	–	426,875	–	–	–	–	–	–	(46,311)	–	380,564	–	380,564
– Community land	361,402	–	361,402	791	–	–	1,478	–	8,623	–	–	372,294	–	372,294
– Land under roads (post 30/6/08)	105	–	105	–	–	–	–	–	–	–	38	143	–	143
<b>Infrastructure:</b>														
– Buildings	263,545	(57,985)	205,560	–	–	(6,560)	7,464	–	–	(10,559)	–	257,263	(61,358)	195,905
– Roads	805,038	(171,287)	633,751	–	(159)	(9,862)	13,227	–	(861)	–	–	816,687	(180,591)	636,096
– Bridges	49,162	(5,853)	43,309	–	–	(553)	226	–	–	–	–	49,389	(6,407)	42,982
– Footpaths	159,018	(53,941)	105,077	–	(21)	(2,206)	4,299	(156)	(1,216)	–	–	160,795	(55,018)	105,777
– Stormwater drainage	579,701	(100,355)	479,346	–	–	(5,342)	4,505	–	–	–	–	584,206	(105,697)	478,509
– Swimming pools	23,778	(3,027)	20,751	223	–	(469)	744	–	–	–	–	24,745	(3,496)	21,249
– Other open space/recreational assets	64,577	(28,001)	36,576	–	–	(2,670)	5,303	–	–	–	–	69,880	(30,671)	39,209
<b>Other assets:</b>														
– Library books	16,573	(12,889)	3,684	654	–	(387)	–	–	–	–	–	17,228	(13,277)	3,951
– Other	847	(197)	650	–	–	(191)	1,455	–	–	–	–	2,302	(388)	1,914
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,805,880</b>	<b>(468,547)</b>	<b>2,337,333</b>	<b>63,218</b>	<b>(806)</b>	<b>(31,249)</b>	<b>–</b>	<b>(156)</b>	<b>6,546</b>	<b>(56,870)</b>	<b>38</b>	<b>2,811,539</b>	<b>(493,485)</b>	<b>2,318,054</b>

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

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers between Classes	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,249	–	1,249	49,605	–	–	(43,490)	–	–	7,364	–	7,364
Plant and equipment	36,133	(23,275)	12,858	1,253	(3,866)	(2,256)	–	–	–	27,696	(19,707)	7,989
Office equipment	12,895	(11,192)	1,703	–	–	(333)	1,520	–	–	14,414	(11,524)	2,890
Furniture and fittings	5,622	(3,533)	2,089	–	–	(248)	163	–	–	5,785	(3,781)	2,004
<b>Land:</b>												
– Operational land	318,807	–	318,807	–	–	–	–	–	108,068	426,875	–	426,875
– Community land	360,887	–	360,887	–	–	–	515	–	–	361,402	–	361,402
– Land under roads (post 30/6/08)	105	–	105	–	–	–	–	–	–	105	–	105
Land improvements – non-depreciable	365	–	365	–	–	–	–	(365)	–	–	–	–
Land improvements – depreciable	5,176	(900)	4,276	–	–	–	–	(4,276)	–	–	–	–
<b>Infrastructure:</b>												
– Buildings	263,642	(58,397)	205,245	–	–	(6,333)	6,648	–	–	263,545	(57,985)	205,560
– Roads	793,099	(188,999)	604,100	–	–	(8,931)	18,260	–	20,322	805,038	(171,287)	633,751
– Bridges	55,743	(11,881)	43,862	–	–	(553)	–	–	–	49,162	(5,853)	43,309
– Footpaths	151,036	(52,250)	98,786	–	–	(2,005)	8,297	–	–	159,018	(53,941)	105,077
– Stormwater drainage	636,637	(153,341)	483,296	–	–	(5,319)	1,369	–	–	579,701	(100,355)	479,346
– Swimming pools	22,860	(2,579)	20,281	–	–	(448)	918	–	–	23,778	(3,027)	20,751
– Other open space/recreational assets	90,463	(62,099)	28,364	–	–	(2,228)	5,798	4,641	–	64,577	(28,001)	36,576
<b>Other assets:</b>												
– Library books	15,931	(12,549)	3,382	650	–	(348)	–	–	–	16,573	(12,889)	3,684
– Other	845	(98)	747	–	–	(99)	2	–	–	847	(197)	650
<b>Total Infrastructure, property, plant and equipment</b>	<b>2,771,495</b>	<b>(581,093)</b>	<b>2,190,402</b>	<b>51,508</b>	<b>(3,866)</b>	<b>(29,101)</b>	<b>–</b>	<b>–</b>	<b>128,390</b>	<b>2,805,880</b>	<b>(468,547)</b>	<b>2,337,333</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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

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

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

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	2 to 15	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 50	Buildings: other	10 to 40
		<b>Stormwater assets</b>	
<b>Water and sewer assets</b>		Drains	50 to 120
Dams and reservoirs	80 to 100	Culverts	50 to 120
Bores	20 to 40	Flood control structures	50 to 120
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Bulk earthworks	20 - 50
Sealed roads: surface	20	Swimming pools	50
Sealed roads: structure	50	Unsealed roads	20
Unsealed roads	20	Other open space/recreational assets	5 - 150
Bridges	30 - 100	Other infrastructure	5 - 75
Road pavements	60		
Kerb, gutter and footpaths	40 - 100		

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB116 Property, Plant and Equipment.

#### **Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Investment property

\$ '000	2019	2018
<b>(a) Investment property at fair value</b>		
<b>Investment property on hand</b>	66,811	–
<b>Reconciliation of annual movement:</b>		
– Net gain/(loss) from fair value adjustments	9,941	–
– Transfers from/(to) owner occupied (Note 9)	56,870	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b>66,811</b>	<b>–</b>

**(b) Valuation basis**

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

The 2019 revaluations were based on independent assessments made by Assetic Australia Pty Ltd, Bruce Phillips, Certified Practising Valuer, AAPI Member 67847

**(c) Investment property income and expenditure – summary**

plus:

<b>Fair value movement for year</b>	9,941	–
<b>Total income attributable to investment property</b>	<b>9,941</b>	<b>–</b>

**Accounting policy for investment property**

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

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



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	7,817	5,379
Accumulated amortisation	(4,888)	(4,189)
Accumulated impairment	(250)	(250)
<b>Net book value – opening balance</b>	<b>2,679</b>	<b>940</b>
<b>Movements for the year</b>		
– Purchases	1,937	2,438
– Amortisation charges	(1,221)	(699)
<b>Closing values at 30 June</b>		
Gross book value	9,754	7,817
Accumulated amortisation	(6,360)	(4,888)
Accumulated impairment	–	(250)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>3,394</b>	<b>2,679</b>
<b>The net book value of intangible assets represents:</b>		
– Software	3,394	2,679
	<b>3,394</b>	<b>2,679</b>

**Accounting policy for intangible assets****IT development and software**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,408	–	869	–
Accrued expenses:				
– Salaries and wages	–	–	(2)	–
– Other expenditure accruals	5,750	–	8,827	–
Security bonds, deposits and retentions	21,599	–	20,789	–
Other	527	–	662	–
<b>Total payables</b>	<b>29,284</b>	<b>–</b>	<b>31,145</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	4,961	33,812	1,257	8,358
<b>Total borrowings</b>	<b>4,961</b>	<b>33,812</b>	<b>1,257</b>	<b>8,358</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>34,245</u></b>	<b><u>33,812</u></b>	<b><u>32,402</u></b>	<b><u>8,358</u></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	1,370	–	771	–
Payables and borrowings relating to externally restricted assets	1,370	–	771	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,370</b>	<b>–</b>	<b>771</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>32,875</b>	<b>33,812</b>	<b>31,631</b>	<b>8,358</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>34,245</u></b>	<b><u>33,812</u></b>	<b><u>32,402</u></b>	<b><u>8,358</u></b>

\$ '000	2019	2018
---------	------	------

### (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	17,713	17,797
<b>Total payables and borrowings</b>	<b>17,713</b>	<b>17,797</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Payables and borrowings (continued)

\$ '000	as at 30/6/2018		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019	
	Opening Balance	Cash flows				Closing balance	
Loans – secured	9,615	29,158	–	–	–	38,773	
<b>TOTAL</b>	<b>9,615</b>	<b>29,158</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>38,773</b>	

\$ '000	2019	2018
---------	------	------

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

Bank overdraft facilities <sup>1</sup>	1,500	1,500
Credit cards/purchase cards	240	240
<b>Total financing arrangements</b>	<b>1,740</b>	<b>1,740</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	1,500	1,500
– Credit cards/purchase cards	240	240
<b>Total undrawn financing arrangements</b>	<b>1,740</b>	<b>1,740</b>

**Additional financing arrangements information****Breaches and defaults**

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

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

**Accounting policy for payables and borrowings**

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

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

**Payables**

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

**Borrowings**

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	7,156	26	6,550	–
Sick leave	536	–	543	–
Long service leave	12,372	358	10,486	825
ELE on-costs	1,681	–	1,310	51
<b>Sub-total – aggregate employee benefits</b>	<b>21,745</b>	<b>384</b>	<b>18,889</b>	<b>876</b>
<b>TOTAL PROVISIONS</b>	<b>21,745</b>	<b>384</b>	<b>18,889</b>	<b>876</b>

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

<b>Total provisions relating to restricted assets</b>	–	–	–	–
<b>Total provisions relating to unrestricted assets</b>	<b>21,745</b>	<b>384</b>	<b>18,889</b>	<b>876</b>
<b>TOTAL PROVISIONS</b>	<b>21,745</b>	<b>384</b>	<b>18,889</b>	<b>876</b>

\$ '000	2019	2018
---------	------	------

#### (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	16,568	12,233
	<b>16,568</b>	<b>12,233</b>

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

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
<b>2019</b>					
At beginning of year	6,550	543	11,311	1,361	19,765
Other	632	(7)	1,419	320	2,364
Total ELE provisions at end of period	<b>7,182</b>	<b>536</b>	<b>12,730</b>	<b>1,681</b>	<b>22,129</b>
<b>2018</b>					
At beginning of year	6,135	730	11,557	528	18,950
Other	415	(187)	(246)	833	815
Total ELE provisions at end of period	<b>6,550</b>	<b>543</b>	<b>11,311</b>	<b>1,361</b>	<b>19,765</b>

#### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Provisions (continued)

---

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

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	13,687	6,804
<b>Balance as per the Statement of Cash Flows</b>		<b>13,687</b>	<b>6,804</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		22,931	20,755
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		32,470	29,800
Net losses/(gains) on disposal of assets		(3,940)	141
Non-cash capital grants and contributions		(791)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(212)	(97)
– investment property		(9,941)	–
Share of net (profits)/losses of associates/joint ventures using the equity method		(315)	(874)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(2,419)	15,307
Increase/(decrease) in provision for impairment of receivables		(155)	35
Decrease/(increase) in inventories		15	26
Decrease/(increase) in other current assets		162	(1,215)
Increase/(decrease) in payables		539	730
Increase/(decrease) in other accrued expenses payable		(3,075)	(7,616)
Increase/(decrease) in other liabilities		675	257
Increase/(decrease) in provision for employee benefits		2,364	816
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>38,308</b>	<b>58,065</b>
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		791	–
<b>Total non-cash investing and financing activities</b>		<b>791</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	315	874	5,292	4,977
<b>Total</b>	<b>315</b>	<b>874</b>	<b>5,292</b>	<b>4,977</b>

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

\$ '000	Nature of relationship	Measurement method	2019	2018
CivicRisk Mutual	Joint venture	Equity accounting	636	762
CivicRisk Metro	Joint venture	Equity accounting	4,656	4,215
<b>Total carrying amounts – material joint ventures</b>			<b>5,292</b>	<b>4,977</b>

## (b) Details

	Principal activity	Place of business
CivicRisk Mutual	Risk management and insurance pooling to councils	Penrith, NSW
CivicRisk Metro	Public liability and professional indemnity to councils	Penrith, NSW

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
CivicRisk Mutual	8.0%	9.0%	9.2%	9.0%	5.9%	6.0%
CivicRisk Metro	39.8%	35.0%	31.8%	31.0%	16.7%	11.0%

## (d) Summarised financial information for joint ventures

\$ '000	CivicRisk Mutual		CivicRisk Metro	
	2019	2018	2019	2018
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	1,813	1,158	49	15
Other current assets	7,215	5,759	10,106	8,114
<b>Non-current assets</b>	<b>5,368</b>	<b>5,989</b>	<b>12,766</b>	<b>16,220</b>
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	5,173	2,988	1,625	1,815
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	2,279	1,448	6,651	8,985
<b>Net assets</b>	<b>6,944</b>	<b>8,470</b>	<b>14,645</b>	<b>13,549</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	CivicRisk Mutual		CivicRisk Metro	
	2019	2018	2019	2018
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	8,468	6,490	13,548	11,610
Profit/(loss) for the period	(1,524)	1,978	1,099	1,938
<b>Closing net assets</b>	<b>6,944</b>	<b>8,468</b>	<b>14,647</b>	<b>13,548</b>
<b>Council's share of net assets (%)</b>	9.2%	9.0%	31.8%	31.1%
<b>Council's share of net assets (\$)</b>	636	762	4,656	4,214
<b>Statement of comprehensive income</b>				
Income	11,320	9,425	2,116	2,115
Interest income	448	439	1,013	1,077
Other expenses	(13,291)	(7,886)	(2,030)	(1,254)
<b>Profit/(loss) from continuing operations</b>	<b>(1,523)</b>	<b>1,978</b>	<b>1,099</b>	<b>1,938</b>
<b>Profit/(loss) for the period</b>	<b>(1,523)</b>	<b>1,978</b>	<b>1,099</b>	<b>1,938</b>
<b>Total comprehensive income</b>	<b>(1,523)</b>	<b>1,978</b>	<b>1,099</b>	<b>1,938</b>
<b>Share of income – Council (%)</b>	8.0%	9.6%	39.8%	35.3%
<b>Profit/(loss) – Council (\$)</b>	(122)	190	437	684
<b>Total comprehensive income – Council (\$)</b>	(122)	190	437	684

## Accounting policy for joint arrangements

**Joint ventures**

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Commitments

\$ '000	2019	2018
---------	------	------

## (a) Capital commitments (exclusive of GST)

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

**Property, plant and equipment**

Buildings	23,802	1,623
Plant and equipment	–	1,064
Fixtures & Furniture	–	137
Library	106	2
Open Space	3,165	899
Office Equipment	1,326	851
Drainage	1,988	–
Footpaths	1,702	–
Roads	504	1,953

**Investment property**

– Land	50	–
--------	----	---

**Total commitments**

<b>32,643</b>	<b>6,529</b>
---------------	--------------

**These expenditures are payable as follows:**

Within the next year	32,643	6,529
Later than one year and not later than 5 years	–	–
Later than 5 years	–	–

**Total payable**

<b>32,643</b>	<b>6,529</b>
---------------	--------------

**Sources for funding of capital commitments:**

Unrestricted general funds	32,643	6,529
----------------------------	--------	-------

**Total sources of funding**

<b>32,643</b>	<b>6,529</b>
---------------	--------------

## (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	1,348	810
Later than one year and not later than 5 years	1,649	1,244
<b>Total non-cancellable operating lease commitments</b>	<b>2,997</b>	<b>2,054</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

**LIABILITIES NOT RECOGNISED****1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

*Description of the funding arrangements.*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$1,043,081.27. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

The amount of additional contributions included in the total employer contribution advised above is \$532,606.14. Council's expected contribution to the plan for the next annual reporting period is \$923,849.16.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$1,066,200 as at 30 June 2019.

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

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

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

\* Plus promotional increases

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

**(ii) Statewide Limited**

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

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

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

**(iii) StateCover Limited**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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

---

#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

#### ASSETS NOT RECOGNISED

##### (i) Infringement notices/fines

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management

## Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	13,687	6,804	13,687	6,804
Receivables	13,285	10,811	13,285	10,811
Investments				
– 'Financial assets at amortised cost' / 'held to maturity'	95,000	134,206	95,000	135,210
<b>Fair value through profit and loss</b>				
Investments				
– Financial assets at fair value through profit or loss -	41,644	1,004	41,644	–
<b>Total financial assets</b>	<b>163,616</b>	<b>152,825</b>	<b>163,616</b>	<b>152,825</b>
<b>Financial liabilities</b>				
Payables	29,284	31,145	29,284	31,145
Borrowings	38,773	9,615	38,773	9,615
<b>Total financial liabilities</b>	<b>68,057</b>	<b>40,760</b>	<b>68,057</b>	<b>40,760</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Impact of a 10% movement in market values	1,798	1,798	(1,798)	(1,798)
Impact of a 1% movement in interest rates	1,323	1,323	(1,323)	(1,323)
<b>2018</b>				
Impact of a 10% movement in market values	–	100	–	(100)
Impact of a 1% movement in interest rates	–	68	–	(68)

## (b) Credit risk

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

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

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

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

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

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

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

## Credit risk profile

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	6,580	–	–	–	–	6,580
<b>2018</b>						
Gross carrying amount	4,087	–	–	–	–	4,087

**Receivables - non-rates and annual charges**

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	4,056	199	805	763	903	6,726
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.30%	0.31%
<b>ECL provision</b>	–	–	–	–	21	21
<b>2018</b>						
Gross carrying amount	5,676	252	126	112	734	6,900
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	21,599	7,685	–	–	29,284	29,284
Loans and advances	2.78%	–	5,995	20,161	17,495	43,651	38,773
<b>Total financial liabilities</b>		<b>21,599</b>	<b>13,680</b>	<b>20,161</b>	<b>17,495</b>	<b>72,935</b>	<b>68,057</b>
<b>2018</b>							
Trade/other payables	0.00%	20,789	–	–	–	20,789	31,145
Loans and advances	5.15%	–	1,854	5,757	5,164	12,775	9,615
<b>Total financial liabilities</b>		<b>20,789</b>	<b>1,854</b>	<b>5,757</b>	<b>5,164</b>	<b>33,564</b>	<b>40,760</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 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>				
Rates and annual charges	129,265	129,612	347	0% <b>F</b>
User charges and fees	26,235	26,846	611	2% <b>F</b>
Interest and investment revenue	4,457	4,675	218	5% <b>F</b>
Operating grants and contributions	21,541	21,760	219	1% <b>F</b>
Capital grants and contributions	36,436	18,723	(17,713)	(49)% <b>U</b>
Capital developer contributions (s7.11) decreased by \$13m from 2017/18. This decrease is a result of the fall in the property market.				
Net gains from disposal of assets	712	3,940	3,228	453% <b>F</b>
Fair value increment on investment property	–	9,941	9,941	∞ <b>F</b>
Investment property initial valuation, not in budget.				
Joint ventures and associates – net profits	800	315	(485)	(61)% <b>U</b>
<b>EXPENSES</b>				
Employee benefits and on-costs	83,268	84,451	(1,183)	(1)% <b>U</b>
Borrowing costs	597	688	(91)	(15)% <b>U</b>
Council loan repayment expenses increased due to Council electing to pay some existing loans early.				
Materials and contracts	55,818	61,567	(5,749)	(10)% <b>U</b>
Depreciation and amortisation	29,786	32,470	(2,684)	(9)% <b>U</b>
Other expenses	22,053	24,067	(2,014)	(9)% <b>U</b>
Net losses from disposal of assets	–	–	–	∞ <b>F</b>
<b>STATEMENT OF CASH FLOWS</b>				
Net cash provided from (used in) operating activities	66,221	38,308	(27,913)	(42)% <b>U</b>
Council's cash received from operating activities was below the original forecast mainly due to the fall in capital developer contributions revenue.				
Net cash provided from (used in) investing activities	(65,377)	(60,575)	4,802	(7)% <b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>Net cash provided from (used in) financing activities</b>	(1,257)	29,150	30,407	(2,419)% <b>F</b>

Council's cash received from financing activities was \$30m higher than the original forecast as a result of Council taking out a \$30m loan, which was not included in the original budget.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Fair Value Measurement

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

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

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

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

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

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

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

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

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments	6(b)					
Fair Value through profit and loss		30/06/19	–	–	41,644	41,644
<b>Total financial assets</b>			<b>–</b>	<b>–</b>	<b>41,644</b>	<b>41,644</b>
<b>Investment property</b>						
Investment Property	10	30/06/19	–	66,811	–	66,811
<b>Total investment property</b>			<b>–</b>	<b>66,811</b>	<b>–</b>	<b>66,811</b>
<b>Infrastructure, property, plant and equipment</b>						
Operational land	9	30/06/18	–	380,564	–	380,564
Community land		30/06/17	–	–	372,294	372,294
Land under roads (post 30/6/08)		30/06/17	–	–	143	143
Open Space / Recreational Assets		30/06/17	–	–	39,209	39,209
Land improvements – depreciable		30/06/17	–	–	–	–
Buildings		30/06/17	–	–	195,905	195,905
Buildings – non-specialised		30/06/17	–	–	–	–
Other structures		30/06/18	–	–	–	–
Roads		30/06/18	–	–	636,096	636,096
Bridges		30/06/17	–	–	42,982	42,982
Footpaths		30/06/17	–	–	105,777	105,777
Stormwater drainage		30/06/17	–	–	478,509	478,509
Swimming pools		30/06/17	–	–	21,249	21,249
Other Assets		30/06/17	–	–	–	–
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>380,564</b>	<b>1,892,164</b>	<b>2,272,728</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Financial assets</b>						
Investments	6(b)					
Fair Value through profit and loss		30/06/18	–	–	1,004	1,004
<b>Total financial assets</b>			<b>–</b>	<b>–</b>	<b>1,004</b>	<b>1,004</b>
<b>Infrastructure, property, plant and equipment</b>						
	9					
Operational land		30/06/18	–	426,875	–	426,875
Community land		30/06/17	–	–	361,402	361,402
Land under roads (post 30/6/08)		30/06/17	–	–	105	105
Open Space / Recreational Assets		30/06/17	–	–	36,576	36,576
Land improvements – depreciable		30/06/17	–	–	–	–
Buildings		30/06/17	–	–	205,560	205,560
Other structures		30/06/18	–	–	–	–
Roads		30/06/18	–	–	633,751	633,751
Bridges		30/06/17	–	–	43,309	43,309
Footpaths		30/06/17	–	–	105,077	105,077
Stormwater drainage		30/06/17	–	–	479,346	479,346
Swimming pools		30/06/17	–	–	20,751	20,751
Other Assets		30/06/17	–	–	–	–
<b>Total infrastructure, property, plant and equipment</b>			<b>–</b>	<b>426,875</b>	<b>1,885,877</b>	<b>2,312,752</b>

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

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

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

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

#### Financial Assets

At fair value through profit and loss are represented by Floating Rate Notes and Covered Bonds. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced from UBS based on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period. Australian Stock Exchange (ASX) retail listed securities are listed on the ASX. Valuations are sourced directly on the ASX using the closing price at the end of the reporting period.

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

##### Operational Land

Operational land had been valued by using an independent valuer.

##### Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General in 2016.

##### Land Under Roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. 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 21. Fair Value Measurement (continued)

---

Values were determined by valuation of road segments at the average unit value of properties adjoining the relevant road segment and then discounted by 90% in accordance with the Code.

#### **Buildings - Non specialised and Specialised**

Council's buildings were valued based on the condition survey approach described in IPWEA's Practice Note 3 for Buildings and were used to determine the expected life ranges and criticality factors to produce the Depreciated Replacement Cost (DRC) Values and associated depreciation by component. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required.

#### **Roads and Bridges**

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. Other road assets including Bridges, Carparks, Kerb and Gutter, Traffic facilities and Footpaths are also included. The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value.

#### **Stormwater Drainage**

Assets within this class comprise pits, pipes, open channels, and various types of water quality devices. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement.

#### **Swimming Pools**

While some elements of gross replacement values could be supported from market evidence other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

#### **Open Space Assets**

Assets within this class comprise Tennis Courts, Synthetic Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

### (3) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Related Party Transactions

---

#### 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	1,956	1,720
Termination benefits	–	193
<b>Total</b>	<b>1,956</b>	<b>1,913</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Statement of developer contributions

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

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

## Summary of contributions and levies

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	(26)	–	–	(96)	(3,762)	1,505	(2,379)	–
Parking	156	–	–	4	–	(1,728)	(1,568)	–
Open space	20,260	6,971	–	712	(590)	1,183	28,536	–
Community facilities	11,867	2,158	–	360	(133)	(64)	14,188	–
Accessibility and traffic	542	495	–	27	–	–	1,064	–
Contribution plan no. 2	–	–	–	–	–	–	–	–
Merrylands town centre	2,718	–	–	70	–	–	2,788	–
Public domain	11,523	2,824	–	323	(1,791)	(5)	12,874	–
Woodville Ward	1,196	725	–	26	(913)	(3)	1,031	–
Administration	1,666	342	–	35	(664)	(24)	1,355	–
<b>S7.11 contributions – under a plan</b>	<b>49,902</b>	<b>13,515</b>	<b>–</b>	<b>1,461</b>	<b>(7,853)</b>	<b>864</b>	<b>57,889</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>3,187</b>	<b>769</b>	<b>–</b>	<b>102</b>	<b>–</b>	<b>–</b>	<b>4,058</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>53,089</b>	<b>14,284</b>	<b>–</b>	<b>1,563</b>	<b>(7,853)</b>	<b>864</b>	<b>61,947</b>	<b>–</b>
SEPP 59 agreements	4,302	280	–	119	–	–	4,701	–
<b>Total contributions</b>	<b>57,391</b>	<b>14,564</b>	<b>–</b>	<b>1,682</b>	<b>(7,853)</b>	<b>864</b>	<b>66,648</b>	<b>–</b>

## S7.11 Contributions – under a plan

## CONTRIBUTION PLAN No. 2 (former Holroyd)



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
Parking	–	–	–	–	–	(1,728)	(1,728)	–	
Open space	20,260	6,971	–	712	(590)	1,183	28,536	–	
Community facilities	10,203	1,344	–	299	–	(64)	11,782	–	
Public domain	7,164	1,021	–	210	–	69	8,464	–	
Drainage	(690)	–	–	(113)	(3,762)	1,505	(3,060)	–	
Administration	676	151	–	12	(388)	(24)	427	–	
<b>Total</b>	<b>37,613</b>	<b>9,487</b>	<b>–</b>	<b>1,120</b>	<b>(4,740)</b>	<b>941</b>	<b>44,421</b>	<b>–</b>	
<b>MERRYLANDS TOWN CENTRE (former Holroyd)</b>									
Merrylands town centre	2,718	–	–	70	–	–	2,788	–	
<b>Total</b>	<b>2,718</b>	<b>–</b>	<b>–</b>	<b>70</b>	<b>–</b>	<b>–</b>	<b>2,788</b>	<b>–</b>	
<b>2007 Section 94 Contribution Plan (former Auburn)</b>									
Drainage	664	–	–	17	–	–	681	–	
Parking	156	–	–	4	–	–	160	–	
Community facilities	1,664	814	–	61	(133)	–	2,406	–	
Accessibility and traffic	542	495	–	27	–	–	1,064	–	
Public domain	4,359	1,803	–	113	(1,791)	(74)	4,410	–	
Administration	990	191	–	23	(276)	–	928	–	
<b>Total</b>	<b>8,375</b>	<b>3,303</b>	<b>–</b>	<b>245</b>	<b>(2,200)</b>	<b>(74)</b>	<b>9,649</b>	<b>–</b>	
<b>Woodville Ward</b>									
Woodville Ward	1,196	725	–	26	(913)	(3)	1,031	–	
<b>Total</b>	<b>1,196</b>	<b>725</b>	<b>–</b>	<b>26</b>	<b>(913)</b>	<b>(3)</b>	<b>1,031</b>	<b>–</b>	
<b>S7.12 Levies – under a plan</b>									
<b>CONTRIBUTION PLAN (former Auburn)</b>									
Other	3,187	769	–	102	–	–	4,058	–	
<b>Total</b>	<b>3,187</b>	<b>769</b>	<b>–</b>	<b>102</b>	<b>–</b>	<b>–</b>	<b>4,058</b>	<b>–</b>	

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(10,200)</b>				
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>193,043</b>	<b>(5.28)%</b>	(5.25)%	(2.96)%	>0.00%
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>169,856</b>				
Total continuing operating revenue <sup>1</sup>	<b>211,766</b>	<b>80.21%</b>	73.72%	65.88%	>60.00%
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>91,335</b>				
Current liabilities less specific purpose liabilities	<b>20,339</b>	<b>4.49x</b>	4.31x	3.52x	>1.50x
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>22,958</b>				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,538</b>	<b>14.93x</b>	11.20x	11.19x	>2.00x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>6,664</b>				
Rates, annual and extra charges collectible	<b>134,294</b>	<b>4.96%</b>	3.34%	2.78%	<5.00%
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>108,687</b>				
Monthly payments from cash flow of operating and financing activities	<b>14,321</b>	<b>7.59 mths</b>	7.33 mths	6.30 mths	>3.00 mths

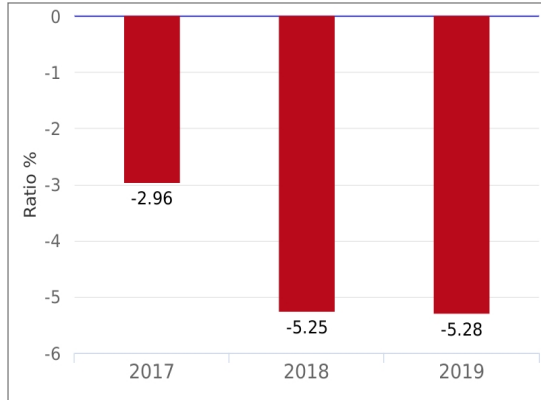
(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

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

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

Note 24(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 (5.28)%

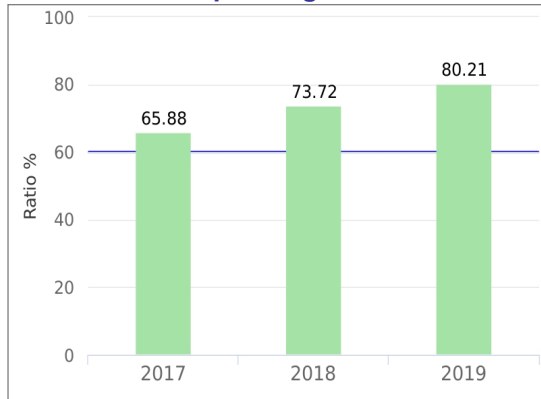
This indicates Council's ability to contain operating expenditure within operating revenue. This ratio is still close to industry benchmark.

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 80.21%

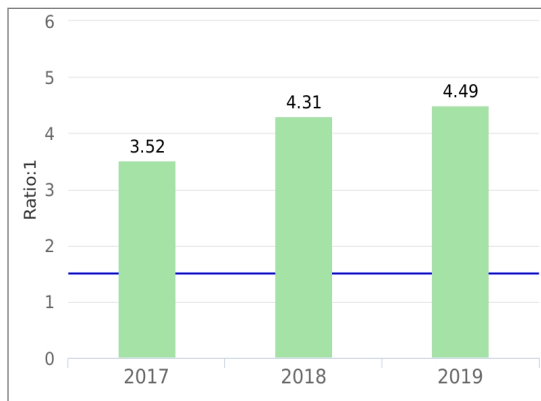
This ratio indicates that Council is less reliant on grants and contributions. Given that grants and contributions include s7.11 contributions, which is not an operating source of revenue, there was a decline in revenue received from S7.11.

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 4.49x

Council continues to be above the industry benchmark of 1.5. This indicator shows Council has good liquidity and ability to repay its debts.

Benchmark: — > 1.50x

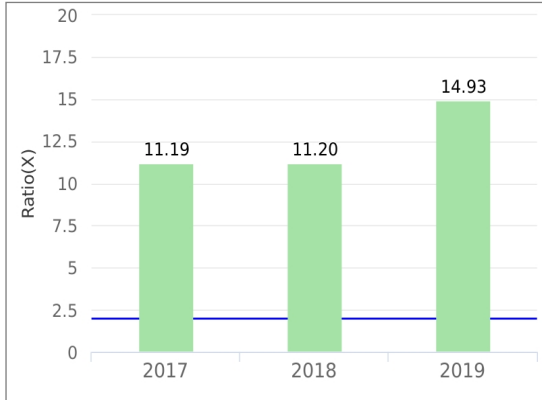
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

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

Note 24(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 14.93x

The increase in this ratio from prior year indicates continual ability for Council to meet debt repayments. This is a result of having solid operating cash with low debt obligations

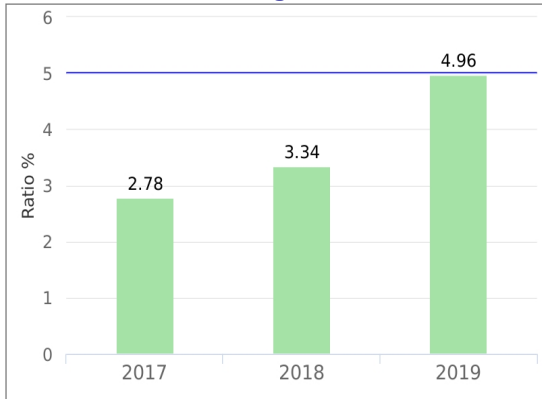
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2018/19 result

2018/19 ratio 4.96%

The ratio increased due to slower collections throughout the year. This will improve in 2019-20.

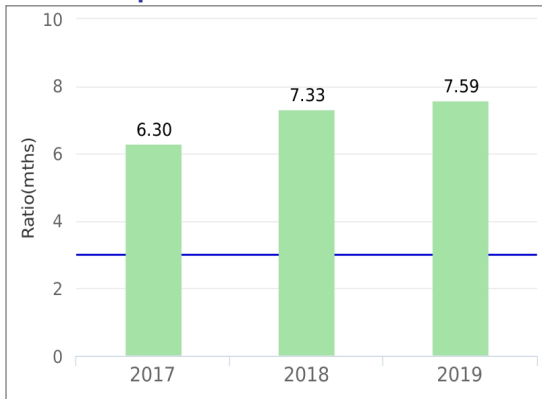
Benchmark: — < 5.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 7.59 mths

Council's Cash Expense Cover Ratio is above benchmark of 3 months. This shows that Council continues to pay for its immediate expenses without additional cash flow requirements.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 25. Council information and contact details

---

**Principal place of business:**

16 Memorial Ave  
Merrylands NSW 2160

**Contact details**

**Mailing Address:**

PO Box 42  
Merrylands NSW 2160

**Telephone:** 02 8757 9000

**Facsimile:** 02 9840 9734

**Opening hours:**

8:00am - 4:30pm  
Monday to Friday

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

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

**Officers**

**General Manager**

Hamish McNulty

**Responsible Accounting Officer**

Richard Sheridan

**Auditors**

Grant Thornton

**Elected members**

**Mayor**

Steve Christou

**Deputy Mayor**

Eddy Sarkis

**Other information**

**ABN:** 22 798 563 329



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Cumberland Council**

To the Councillors of the Cumberland Council

## Opinion

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

In my opinion:

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Somaiya Ahmed  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019  
SYDNEY





Cr Steve Christou  
 Mayor  
 Cumberland Council  
 16 Memorial Avenue  
 MERRYLANDS NSW 2160

Contact: Somaiya Ahmed  
 Phone no: 02 9275 7424  
 Our ref: D1925783/1719

30 October 2019

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2019  
 Cumberland Council**

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

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

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

**INCOME STATEMENT**

**Operating result**

	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	129.6	115.2	↑ 12.5
Grants and contributions revenue	40.5	52.5	↓ 22.9
Operating result for the year	22.9	20.8	↑ 10.1
Net operating result before capital grants and contributions	4.2	(8.4)	↑ 150

Council's operating result of \$22.9 million (including the effect of depreciation and amortisation expense of \$32.5 million) was \$2.1 million higher than the 2017–18 result. This increase was primarily due to a \$9.9 million fair value increment on investment properties recognised for the first time, offset by increased total expenses.

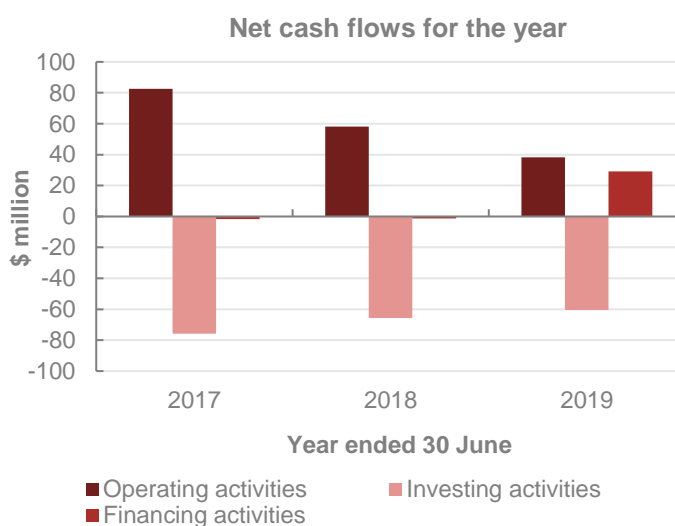
The net operating result before capital grants and contributions (\$4.2 million) was \$12.6 million higher than the 2017–18 result. This movement was due to a greater proportion of revenue coming from rates and annual charges and other income streams, rather than grants and contributions.

Rates and annual charges revenue (\$129.6 million) increased by \$14.4 million (12.5 per cent) in 2018–2019. This was mainly a result of a one-off waste reserve refund paid out for \$7.5 million in 2017–18 which did not recur this year. The remaining increase was consistent with the 2.3 per cent rate peg increase and growth in the number of rateable properties.

Grants and contributions revenue (\$40.5 million) decreased by \$12.0 million (22.9 per cent) in 2018–2019 due to a \$10.9 million decrease in S 7.11 contributions towards amenities/services.

## STATEMENT OF CASH FLOWS

- Operating cash inflows decreased this year due to less grants and contributions (\$17.7 million decrease) as well as higher employee benefits payments (\$5.6 million increase).
- Cash outflows from investing activities decreased in 2018–19 due to lower purchases of investment securities.
- Cash flows from financing activities increased this year due to \$30.0 million received from borrowings proceeds for the Merrylands CBD Reserve.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	74.2	66.6	• Externally restricted funds mainly included \$66.6 million in developer contributions, plus specific purpose unexpended grants and stormwater management funds.
Internal restrictions	67.6	43.5	
Unrestricted	8.5	31.9	
<b>Cash and investments</b>	<b>150.3</b>	<b>142.0</b>	<ul style="list-style-type: none"> <li>• Internally restricted funds increased in 2018–19 due the Merrylands CBD Reserve of \$28.7 million.</li> <li>• Unrestricted balances provide liquidity for the Council's day-to-day operations.</li> </ul>

### Debt

The Council has access to a bank overdraft facility with an approved drawdown limit of \$1.5 million. There was no drawdown as at 30 June 2019.

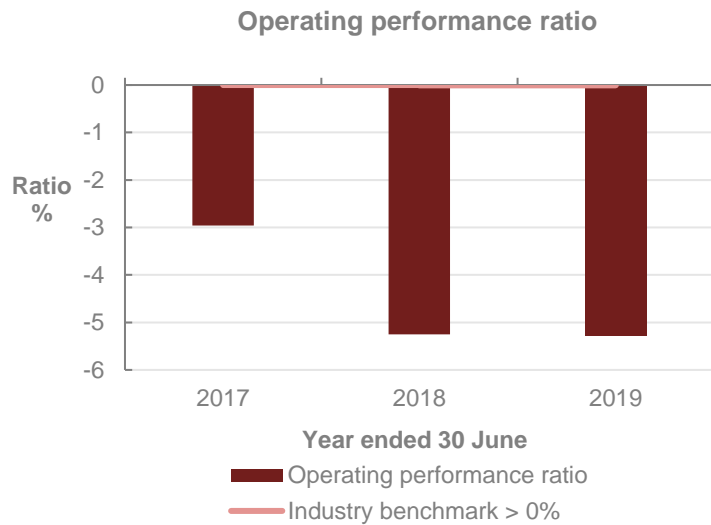
During the current and prior year, there were no defaults or breaches on any loans.

# PERFORMANCE

## Operating performance ratio

- Council has not met the industry benchmark in the last three years.
- The ratio has remained consistent with the prior year. Although Council's net operating result improved in 2018–19, this ratio excludes fair value adjustments which have contributed to the net operating result.

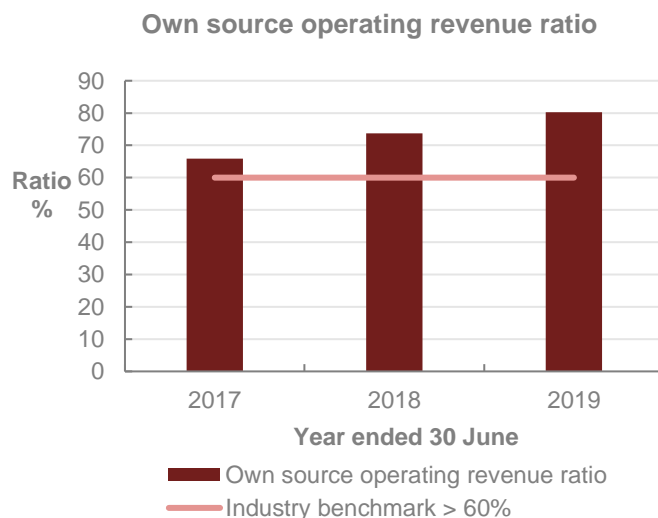
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



## Own source operating revenue ratio

- Council has met the industry benchmark in the last three years.
- The ratio has increased in the current year due to a higher proportion of income coming from rates and annual charges as opposed to grants and contributions.

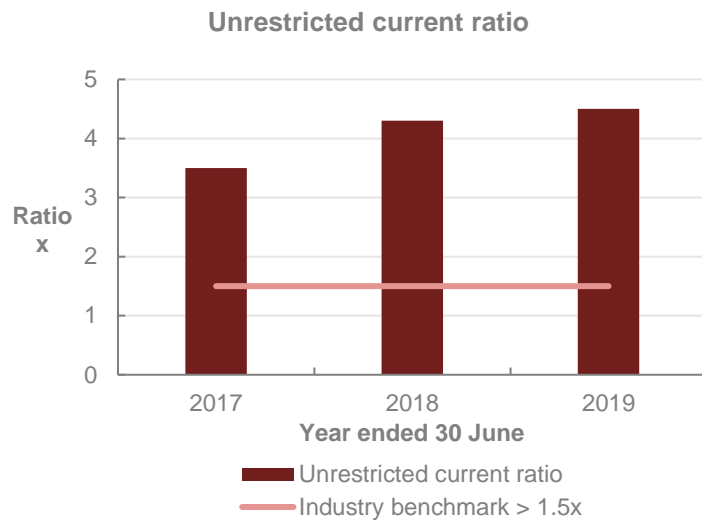
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

- Council continued to exceed the industry benchmark of 1.5 per times.
- The ratio remained relatively stable compared to the prior year.

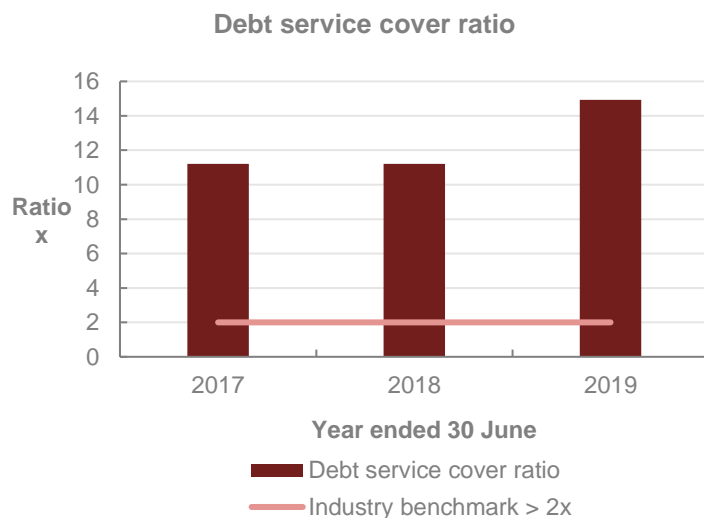
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Debt service cover ratio

- Council continued to exceed the industry benchmark over the last three years.
- The ratio has increased in 2018–19 due to higher cash and investment balances.

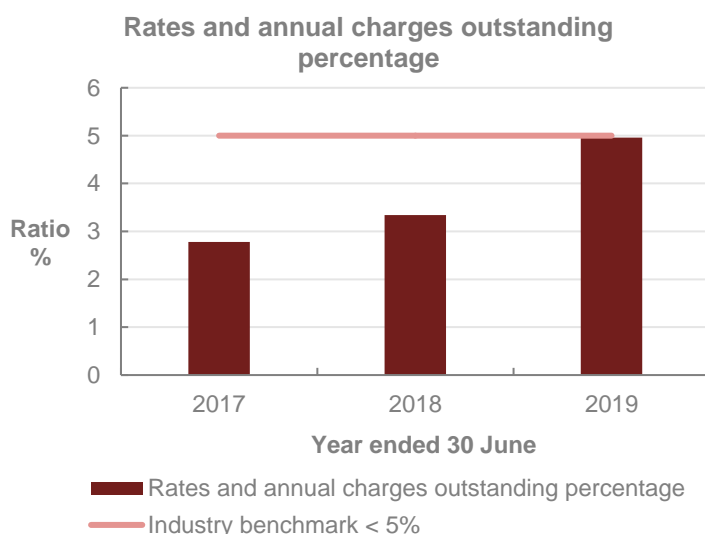
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

- Council has met the industry benchmark for the past three years.
- The ratio increased this year due to slower debtor collections in the 2018–19 period.

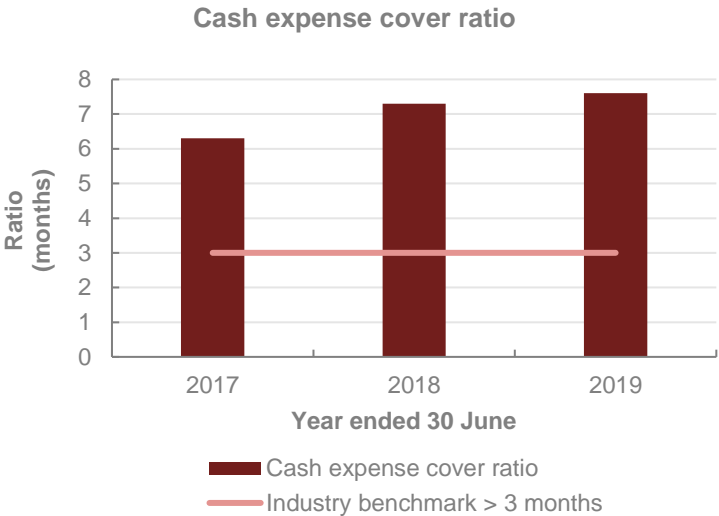
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



**Cash expense cover ratio**

- Council continued to meet the industry benchmark for the past three years.
- This ratio indicates that Council has the capacity to cover over 7 months of expenditure without additional cash inflows at 30 June 2019.

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



**Infrastructure, property, plant and equipment renewals**

Council’s asset renewals have decreased from \$45.5 million in 2017–18 to \$38.7 million in 2018–19. Most of the balance is currently recorded in capital works in progress. When projects are complete, they are recognised as transfers to various asset classes in future periods.

**OTHER MATTERS**

**New accounting standards implemented**

Application period	Overview
<b>AASB 9 ‘Financial Instruments’ and revised AASB 7 ‘Financial Instruments: Disclosures’</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 ‘Financial Instruments: Recognition and Measurement’ and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> <li>• a simplified model for classifying and measuring financial assets</li> <li>• a new method for calculating impairment</li> <li>• a new type of hedge accounting that more closely aligns with risk management.</li> </ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council’s disclosure of the impact of adopting AASB 9 is disclosed in Notes 6 and 7.</p>

## Legislative compliance

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

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



Somaiya Ahmed  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Hamish McNulty, General Manager  
Mr Stephen Horne, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Cumberland Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

---



## Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Golf Course	4
Income Statement – Aged Care Units	5
Income Statement – Function Centres	6
Income Statement – Swim Centres	7
Income Statement – Long Day Care	8
Statement of Financial Position – Golf Course	9
Statement of Financial Position – Aged Care Units	10
Statement of Financial Position – Function Centres	11
Statement of Financial Position – Swim Centres	12
Statement of Financial Position – Long Day Care	13
<b>Note 1 – Significant Accounting Policies</b>	<b>14</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>17</b>

## 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).



## Cumberland Council

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

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

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

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

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

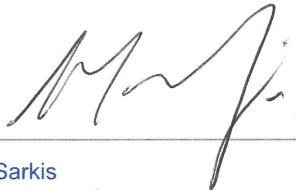
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records,
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

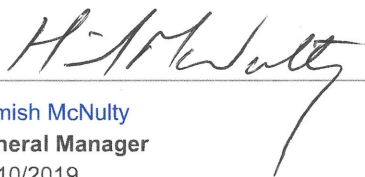
Signed in accordance with a resolution of Council made on 16 October 2019.



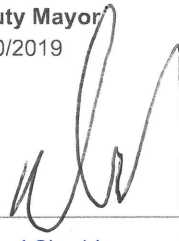
Steve Christou  
Mayor  
16/10/2019



Eddy Sarkis  
Deputy Mayor  
16/10/2019



Hamish McNulty  
General Manager  
16/10/2019



Richard Sheridan  
Responsible Accounting Officer  
16/10/2019

## Income Statement – Golf Course

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
User charges	838	1,004
<b>Total income from continuing operations</b>	<b>838</b>	<b>1,004</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	549	622
Materials and contracts	291	214
Depreciation, amortisation and impairment	58	79
Calculated taxation equivalents	–	45
Other expenses	16	4
<b>Total expenses from continuing operations</b>	<b>914</b>	<b>964</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(76)</b>	<b>40</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(76)</b>	<b>40</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(76)</b>	<b>40</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(11)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(76)</b>	<b>29</b>
<b>Plus accumulated surplus</b>	18,795	17,460
<b>Plus/less: prior period adjustments</b>	70	1,250
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	45
– Corporate taxation equivalent	–	11
<b>Closing accumulated surplus</b>	<b>18,789</b>	<b>18,795</b>
<b>Return on capital %</b>	<b>(0.4)%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>327</b>	<b>458</b>

## Income Statement – Aged Care Units

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
User charges	342	381
<b>Total income from continuing operations</b>	<b>342</b>	<b>381</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	–	13
Materials and contracts	183	169
Depreciation, amortisation and impairment	245	254
Calculated taxation equivalents	–	56
Other expenses	–	12
<b>Total expenses from continuing operations</b>	<b>428</b>	<b>504</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(86)</b>	<b>(123)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(86)</b>	<b>(123)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(86)</b>	<b>(123)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(86)</b>	<b>(123)</b>
<b>Plus accumulated surplus</b>	13,710	10,371
<b>Plus/less: prior period adjustments</b>	1,837	3,406
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	56
<b>Closing accumulated surplus</b>	<b>15,461</b>	<b>13,710</b>
<b>Return on capital %</b>	<b>(0.4)%</b>	<b>(0.9)%</b>
<b>Subsidy from Council</b>	<b>376</b>	<b>484</b>

## Income Statement – Function Centres

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
User charges	795	986
Other income	11	–
<b>Total income from continuing operations</b>	<b>806</b>	<b>986</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	826	763
Materials and contracts	235	488
Depreciation, amortisation and impairment	169	–
Calculated taxation equivalents	–	90
Other expenses	58	42
<b>Total expenses from continuing operations</b>	<b>1,288</b>	<b>1,383</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(482)</b>	<b>(397)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(482)</b>	<b>(397)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(482)</b>	<b>(397)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(482)</b>	<b>(397)</b>
<b>Plus accumulated surplus</b>	5,463	3,049
<b>Plus/less: prior period adjustments</b>	399	2,721
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	90
<b>Closing accumulated surplus</b>	<b>5,380</b>	<b>5,463</b>
<b>Return on capital %</b>	<b>(8.7)%</b>	<b>(7.1)%</b>
<b>Subsidy from Council</b>	<b>555</b>	<b>544</b>

## Income Statement – Swim Centres

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	1,868	2,049
Other income	103	20
<b>Total income from continuing operations</b>	<b>1,971</b>	<b>2,069</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,040	1,935
Materials and contracts	1,937	1,777
Depreciation, amortisation and impairment	758	448
Calculated taxation equivalents	65	678
Other expenses	635	630
<b>Total expenses from continuing operations</b>	<b>5,435</b>	<b>5,468</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(3,464)</b>	<b>(3,399)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(3,464)</b>	<b>(3,399)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(3,464)</b>	<b>(3,399)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(3,464)</b>	<b>(3,399)</b>
<b>Plus accumulated surplus</b>	27,164	13,659
<b>Plus/less: prior period adjustments</b>	418	16,226
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	65	678
<b>Closing accumulated surplus</b>	<b>24,183</b>	<b>27,164</b>
<b>Return on capital %</b>	<b>(14.1)%</b>	<b>(12.4)%</b>
<b>Subsidy from Council</b>	<b>3,787</b>	<b>4,122</b>

## Income Statement – Long Day Care

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	7,715	6,809
Grants and contributions provided for non-capital purposes	387	5,654
Other income	20	41
<b>Total income from continuing operations</b>	<b>8,122</b>	<b>12,504</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	7,365	9,750
Materials and contracts	314	1,123
Depreciation, amortisation and impairment	147	144
Calculated taxation equivalents	355	385
Other expenses	29	370
<b>Total expenses from continuing operations</b>	<b>8,210</b>	<b>11,772</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(88)</b>	<b>732</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(88)</b>	<b>732</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(88)</b>	<b>732</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(201)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(88)</b>	<b>531</b>
<b>Plus accumulated surplus</b>	<b>13,366</b>	<b>12,249</b>
<b>Plus/less: prior period adjustments</b>	<b>9,263</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	355	385
– Corporate taxation equivalent	–	201
<b>Closing accumulated surplus</b>	<b>22,896</b>	<b>13,366</b>
<b>Return on capital %</b>	<b>(0.4)%</b>	<b>3.0%</b>
<b>Subsidy from Council</b>	<b>400</b>	<b>–</b>

## Statement of Financial Position – Golf Course

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	18,988	18,949
<b>Total non-current assets</b>	<u>18,988</u>	<u>18,949</u>
<b>TOTAL ASSETS</b>	<u>18,988</u>	<u>18,949</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	27	2
Provisions	60	53
<b>Total current liabilities</b>	<u>87</u>	<u>55</u>
<b>Non-current liabilities</b>		
Provisions	112	99
<b>Total non-current liabilities</b>	<u>112</u>	<u>99</u>
<b>TOTAL LIABILITIES</b>	<u>199</u>	<u>154</u>
<b>NET ASSETS</b>	<u>18,789</u>	<u>18,795</u>
<b>EQUITY</b>		
Accumulated surplus	18,789	18,795
<b><u>TOTAL EQUITY</u></b>	<u>18,789</u>	<u>18,795</u>

## Statement of Financial Position – Aged Care Units

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	3	–
<b>Total current assets</b>	<b>3</b>	<b>–</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	21,967	13,713
<b>Total non-current assets</b>	<b>21,967</b>	<b>13,713</b>
<b>TOTAL ASSETS</b>	<b>21,970</b>	<b>13,713</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	3
<b>Total current liabilities</b>	<b>–</b>	<b>3</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>3</b>
<b>NET ASSETS</b>	<b>21,970</b>	<b>13,710</b>
<b>EQUITY</b>		
Accumulated surplus	15,461	13,710
Revaluation reserves	6,509	–
<b>TOTAL EQUITY</b>	<b>21,970</b>	<b>13,710</b>



## Statement of Financial Position – Function Centres

as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	62	58
<b>Total current assets</b>	<u>62</u>	<u>58</u>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	5,564	5,575
<b>Total non-current assets</b>	<u>5,564</u>	<u>5,575</u>
<b>TOTAL ASSETS</b>	<u>5,626</u>	<u>5,633</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	9	8
Provisions	107	80
<b>Total current liabilities</b>	<u>116</u>	<u>88</u>
<b>Non-current liabilities</b>		
Provisions	130	82
<b>Total non-current liabilities</b>	<u>130</u>	<u>82</u>
<b>TOTAL LIABILITIES</b>	<u>246</u>	<u>170</u>
<b>NET ASSETS</b>	<u>5,380</u>	<u>5,463</u>
<b>EQUITY</b>		
Accumulated surplus	5,380	5,463
<b>TOTAL EQUITY</b>	<u>5,380</u>	<u>5,463</u>

## Statement of Financial Position – Swim Centres

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	24,499	27,474
<b>Total non-current assets</b>	<u>24,499</u>	<u>27,474</u>
<b>TOTAL ASSETS</b>	<u>24,499</u>	<u>27,474</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	61	23
Provisions	78	79
<b>Total current liabilities</b>	<u>139</u>	<u>102</u>
<b>Non-current liabilities</b>		
Provisions	177	208
<b>Total non-current liabilities</b>	<u>177</u>	<u>208</u>
<b>TOTAL LIABILITIES</b>	<u>316</u>	<u>310</u>
<b>NET ASSETS</b>	<u>24,183</u>	<u>27,164</u>
<b>EQUITY</b>		
Accumulated surplus	24,183	27,164
<b><u>TOTAL EQUITY</u></b>	<u>24,183</u>	<u>27,164</u>

## Statement of Financial Position – Long Day Care

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	23,632	24,171
<b>Total non-current assets</b>	<u>23,632</u>	<u>24,171</u>
<b>TOTAL ASSETS</b>	<u>23,632</u>	<u>24,171</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	9
Provisions	619	310
<b>Total current liabilities</b>	<u>619</u>	<u>319</u>
<b>Non-current liabilities</b>		
Provisions	1,102	567
<b>Total non-current liabilities</b>	<u>1,102</u>	<u>567</u>
<b>TOTAL LIABILITIES</b>	<u>1,721</u>	<u>886</u>
<b>NET ASSETS</b>	<u>21,911</u>	<u>23,285</u>
<b>EQUITY</b>		
Accumulated surplus	22,896	23,285
Revaluation reserves	(985)	–
<b>TOTAL EQUITY</b>	<u>21,911</u>	<u>23,285</u>

## Cumberland Council

# Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

## Note 1. Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

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

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

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

### Declared business activities

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

#### Category 1

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

##### a. Child Care

Provision of Child Long Day Care Service

##### b. Swimming Centres

Provision of Swimming Centre Activities

#### Category 2

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

##### a. Golf Course

Provision for generating income through the operation of a Golf Course

##### b. Aged Care Units

Provision of accommodation for aged services

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

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

---

#### c. Function Centres

Hall Hire for functions, including catering

#### Monetary amounts

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

#### Income tax

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

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

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

Income tax is only applied where a gain 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.

#### 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)

---

#### (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:

---

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

---

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

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

#### (iv) Dividends

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Cumberland Council**

To the Councillors of the Cumberland Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- Golf Courses
- Aged Care Units
- Function Centres
- Swim Centres
- Long Day Care.

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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



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

My objectives are to:

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

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

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

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

My opinion does not provide assurance:

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



Somaiya Ahmed  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019  
SYDNEY



# Cumberland Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

---



## Special Schedules

for the year ended 30 June 2019

---

### Contents

Page

#### **Special Schedules**

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

## Permissible income for general rates

\$ '000		2019/20	2019/20	2019/20	2019/20	2018/19	2018/19	2018/19	2018/19
		Former Auburn City Council	Former Holroyd City Council	Former Parramatta City Council	Cumberland Council	Former Auburn City Council	Former Holroyd City Council	Former Parramatta City Council	Cumberland Council
<b>Notional general income calculation <sup>1</sup></b>									
Last year notional general income yield	a	25,631	55,917	14,165	95,713	24,084	51,147	14,076	89,307
Plus or minus adjustments <sup>2</sup>	b	283	599	(71)	811	139	793	116	1,048
<b>Notional general income</b>	c = a + b	<b>25,914</b>	<b>56,516</b>	<b>14,094</b>	<b>96,524</b>	<b>24,223</b>	<b>51,940</b>	<b>14,192</b>	<b>90,355</b>
<b>Permissible income calculation</b>									
Special variation percentage	d	0.00%	0.00%	0.00%		0.00%	7.00%	0.00%	
Or rate peg percentage	e	2.70%	2.70%	2.70%		2.30%	0.00%	2.30%	
Plus special variation amount	h = d x (c + g)	–	–	–	–	–	3,636	–	3,636
Or plus rate peg amount	i = e x (c + g)	700	1,526	381	2,607	557	–	326	883
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>26,614</b>	<b>58,042</b>	<b>14,475</b>	<b>99,131</b>	<b>24,780</b>	<b>55,576</b>	<b>14,518</b>	<b>94,874</b>
Plus (or minus) last year's carry forward total	l	(226)	264	79	117	625	605	(274)	956
<b>Sub-total</b>	n = (l + m)	<b>(226)</b>	<b>264</b>	<b>79</b>	<b>117</b>	<b>625</b>	<b>605</b>	<b>(274)</b>	<b>956</b>
<b>Total permissible income</b>	o = k + n	<b>26,388</b>	<b>58,306</b>	<b>14,554</b>	<b>99,248</b>	<b>25,405</b>	<b>56,181</b>	<b>14,244</b>	<b>95,830</b>
Less notional general income yield	p	26,126	57,365	14,428	97,919	25,631	55,917	14,165	95,713
<b>Catch-up or (excess) result</b>	q = o – p	<b>262</b>	<b>941</b>	<b>126</b>	<b>1,329</b>	<b>(226)</b>	<b>264</b>	<b>79</b>	<b>117</b>
Less unused catch-up <sup>5</sup>	s	(399)	(601)	–	(1,000)	–	–	–	–
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>(137)</b>	<b>340</b>	<b>126</b>	<b>329</b>	<b>(226)</b>	<b>264</b>	<b>79</b>	<b>117</b>

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.

(5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Cumberland Council**

To the Councillors of Cumberland Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Somaiya', written over a light blue horizontal line.

Somaiya Ahmed  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019  
SYDNEY



## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost			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	2018/19 Required maintenance <sup>a</sup>				1	2	3	4	5
<b>Buildings</b>	Buildings	4,197	4,197	1,052	5,508	190,546	250,515	46.8%	36.1%	15.4%	1.1%	0.6%
	Car Parks	161	161	43	–	5,358	6,748	35.3%	36.4%	25.9%	2.4%	0.0%
	<b>Sub-total</b>	<b>4,358</b>	<b>4,358</b>	<b>1,095</b>	<b>5,508</b>	<b>195,905</b>	<b>257,263</b>	<b>46.5%</b>	<b>36.1%</b>	<b>15.7%</b>	<b>1.2%</b>	<b>0.5%</b>
<b>Roads</b>	Sealed roads	24,187	24,187	2,784	4,955	510,783	642,368	76.4%	10.0%	8.7%	4.7%	0.3%
	Bridges	599	599	235	–	42,982	49,388	25.0%	53.4%	20.5%	1.1%	0.1%
	Kerbs	–	–	3	–	120,536	168,124	39.3%	60.6%	0.1%	0.0%	0.0%
	FootPaths	6,867	6,867	1,651	869	105,777	160,795	19.4%	38.0%	36.9%	5.6%	0.1%
	Retaining Walls	–	–	–	–	1,045	1,050	100.0%	0.0%	0.0%	0.0%	0.0%
	Public Transport Shelters	–	–	–	–	44	71	0.0%	100.0%	0.0%	0.0%	0.0%
	Signs	32	32	7	22	449	710	40.3%	17.9%	37.2%	3.6%	0.9%
	Street Furniture	–	–	–	–	377	446	78.4%	21.4%	0.2%	0.0%	0.0%
	Traffic Management Devices	263	263	26	996	2,862	3,919	50.9%	28.4%	14.0%	5.6%	1.1%
	<b>Sub-total</b>	<b>31,948</b>	<b>31,948</b>	<b>4,706</b>	<b>6,842</b>	<b>784,855</b>	<b>1,026,871</b>	<b>58.8%</b>	<b>24.8%</b>	<b>12.3%</b>	<b>3.9%</b>	<b>0.2%</b>
<b>Stormwater drainage</b>	Stormwater drainage	22,455	–	6,250	783	437,286	514,927	9.2%	37.8%	48.7%	3.9%	0.5%
	Stormwater GPT	–	–	94	–	3,101	5,442	11.3%	2.8%	85.9%	0.0%	0.0%
	Stormwater Pits	16,292	–	1,120	–	38,123	63,837	13.4%	38.1%	23.0%	25.2%	0.4%
	<b>Sub-total</b>	<b>38,747</b>	<b>–</b>	<b>7,464</b>	<b>783</b>	<b>478,509</b>	<b>584,206</b>	<b>9.6%</b>	<b>37.5%</b>	<b>46.2%</b>	<b>6.2%</b>	<b>0.5%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	–	–	21,247	24,745	7.0%	29.8%	61.3%	1.5%	0.4%
	Park Infrastructure	866	866	457	6,330	19,320	33,785	12.9%	24.0%	60.5%	2.3%	0.3%
	Irrigation	2,688	2,688	293	–	3,347	7,302	35.6%	4.3%	23.3%	2.7%	34.1%
	Playgrounds	944	944	141	–	6,041	10,797	26.3%	34.7%	30.3%	3.5%	5.3%
	Lighting	1,672	1,672	135	–	550	2,127	14.4%	3.3%	3.7%	31.7%	46.9%
	Other Structures	–	–	–	–	2,672	3,988	0.0%	100.0%	0.0%	0.0%	0.0%
	Park active Areas	2,423	2,423	233	–	7,137	11,670	42.5%	13.0%	23.7%	11.2%	9.6%
	Fences	13	13	2	–	144	210	53.6%	0.0%	40.2%	6.2%	0.0%
<b>Sub-total</b>	<b>8,606</b>	<b>8,606</b>	<b>1,261</b>	<b>6,330</b>	<b>60,458</b>	<b>94,624</b>	<b>17.9%</b>	<b>26.6%</b>	<b>46.0%</b>	<b>3.9%</b>	<b>5.6%</b>	
<b>TOTAL - ALL ASSETS</b>		<b>83,659</b>	<b>44,912</b>	<b>14,526</b>	<b>19,463</b>	<b>1,519,727</b>	<b>1,962,964</b>	<b>40.6%</b>	<b>30.2%</b>	<b>24.5%</b>	<b>4.2%</b>	<b>0.5%</b>

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

## Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

---

### 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	Prior periods 2017	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>38,691</b>	<b>139.87%</b>	176.14%	–	>=100.00%
Depreciation, amortisation and impairment	<b>27,662</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>83,659</b>	<b>5.50%</b>	5.34%	–	<2.00%
Net carrying amount of infrastructure assets	<b>1,519,727</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>19,463</b>	<b>133.99%</b>	115.35%	–	>100.00%
Required asset maintenance	<b>14,526</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>44,912</b>	<b>2.29%</b>	2.20%	–	
Gross replacement cost	<b>1,962,964</b>				

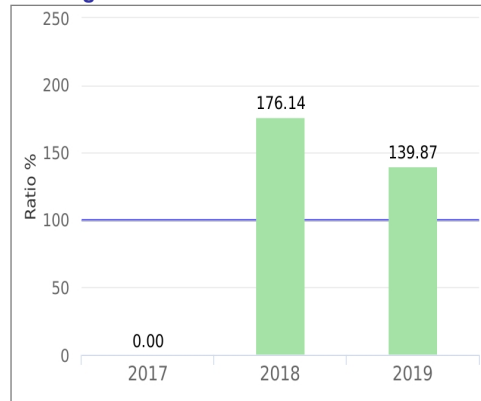
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

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

**Buildings and infrastructure renewals ratio**



**Buildings and infrastructure renewals ratio**

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

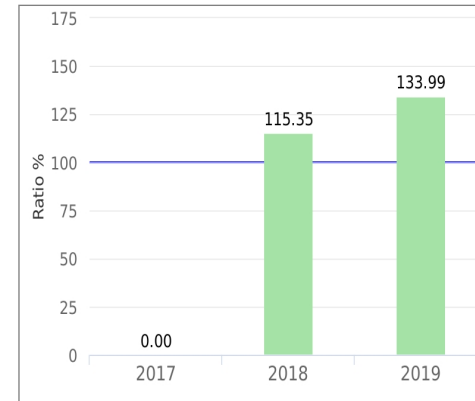
**Commentary on result**

18/19 ratio 139.87%

Renewal of Infrastructure continues to be substantially above benchmark. This is impacted by SRV and Councils decision to invest heavily in renewal

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

**Asset maintenance ratio**



**Asset maintenance ratio**

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

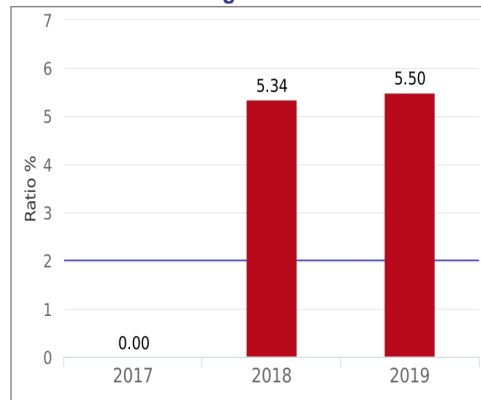
**Commentary on result**

18/19 ratio 133.99%

Council continues to spend greater than what is required in order to maintain assets in a satisfactory condition and to stop the growth of infrastructure backlog.

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

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

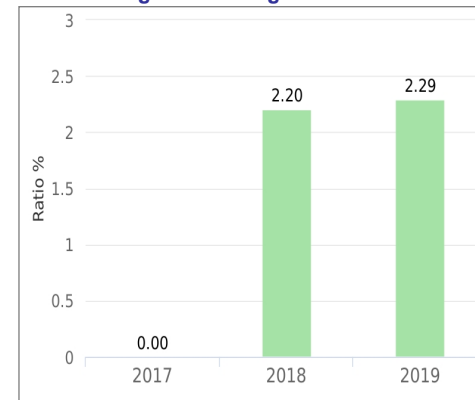
**Commentary on result**

18/19 ratio 5.50%

There was an increase in infrastructure backlog mainly due to roads. Cumberland's sustainability policy is to ensure that condition 3 assets are assigned to work programs in the four year operational plan. We are achieving this at present.

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

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

**Commentary on result**

18/19 ratio 2.29%

Indicates the proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset.