

City of Canada Bay

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“To create a City that is innovative, dynamic
and sustainable through active partnership
with the community and the environment”



City of Canada Bay

General Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	75
– On the Conduct of the Audit (Sect 417 [3])	78

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for City of Canada Bay.
- (ii) City of Canada Bay is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 12 October 2017. Council has the power to amend and reissue these financial statements.
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City of Canada Bay

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales 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 2017.

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 annual 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.

More information

A review of Council's financial performance and position for the 16/17 financial year over the last 5 years can be found at Note 29 of the financial statements.

City of Canada Bay

General Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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


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

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

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

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

Signed in accordance with a resolution of Council made on 15 August 2017.


Cr. Helen McCaffrey
Mayor


Cr. Tony Fasanella
Councillor


Mr. Gary Sawyer
General manager


Mr. Mark Wohlfel
Acting Responsible accounting officer

City of Canada Bay

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
50,264	Rates and annual charges	3a	50,281	49,627
13,330	User charges and fees	3b	16,199	13,709
2,161	Interest and investment revenue	3c	2,669	3,954
8,254	Other revenues	3d	20,898	8,249
4,221	Grants and contributions provided for operating purposes	3e,f	7,078	6,034
4,269	Grants and contributions provided for capital purposes	3e,f	12,497	14,220
Other income:				
–	Net gains from the disposal of assets	5	–	2,776
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
82,499	Total income from continuing operations		109,622	98,569
Expenses from continuing operations				
33,262	Employee benefits and on-costs	4a	32,691	30,673
222	Borrowing costs	4b	222	248
22,841	Materials and contracts	4c	20,544	20,648
10,872	Depreciation and amortisation	4d	12,662	11,203
–	Impairment	4d	–	–
13,791	Other expenses	4e	14,013	13,895
–	Net losses from the disposal of assets	5	367	–
80,988	Total expenses from continuing operations		80,499	76,667
1,511	Operating result from continuing operations		29,123	21,902
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
1,511	Net operating result for the year		29,123	21,902
1,511	Net operating result attributable to Council		29,123	21,902
(2,758)	Net operating result for the year before grants and contributions provided for capital purposes		16,626	7,682

¹ Original budget is unaudited. Original budget as approved by Council – refer Note 16.

City of Canada Bay

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		29,123	21,902
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	307,098	(1,064)
Total items which will not be reclassified subsequently to the operating result		307,098	(1,064)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		307,098	(1,064)
Total comprehensive income for the year		336,221	20,838
Total comprehensive income attributable to Council		336,221	20,838
Total comprehensive income attributable to non-controlling interests		–	–

City of Canada Bay

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Restated Actual 2016	Restated Actual 1-Jul-15
ASSETS				
Current assets				
Cash and cash equivalents	6a	5,516	1,924	5,922
Investments	6b	81,150	81,061	77,832
Receivables	7	6,128	6,869	7,398
Inventories	8	56	25	56
Other	8	201	303	–
Non-current assets classified as 'held for sale'	22	2,100	–	–
Total current assets		95,151	90,182	91,208
Non-current assets				
Investments	6b	4,000	5,000	3,000
Receivables	7	–	–	–
Inventories	8	–	–	–
Infrastructure, property, plant and equipment	9	1,494,884	1,170,268	1,149,415
Investments accounted for using the equity method	19	–	–	–
Investment property	14	32,920	24,046	23,367
Intangible assets	25	1,587	2,142	2,317
Total non-current assets		1,533,391	1,201,456	1,178,099
TOTAL ASSETS		1,628,542	1,291,638	1,269,307
LIABILITIES				
Current liabilities				
Payables	10	15,414	15,554	14,881
Income received in advance	10	2,385	1,270	344
Borrowings	10	463	438	412
Provisions	10	8,621	8,841	8,664
Total current liabilities		26,883	26,103	24,301
Non-current liabilities				
Payables	10	–	–	–
Borrowings	10	3,166	3,629	4,067
Provisions	10	757	391	262
Total non-current liabilities		3,923	4,020	4,329
TOTAL LIABILITIES		30,806	30,123	28,630
Net assets		1,597,736	1,261,515	1,240,677
EQUITY				
Retained earnings	20	1,141,635	1,112,512	1,090,610
Revaluation reserves	20	456,101	149,003	150,067
Other reserves	20	–	–	–
Council equity interest		1,597,736	1,261,515	1,240,677
Non-controlling equity interests		–	–	–
Total equity		1,597,736	1,261,515	1,240,677

This Statement should be read in conjunction with the accompanying Notes.

City of Canada Bay

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		1,112,512	149,003	–	1,261,515	–	1,261,515	2,030,751	1,622,346	–	3,653,097	–	3,653,097
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	(940,141)	(1,472,279)	–	(2,412,420)	–	(2,412,420)
Revised opening balance		1,112,512	149,003	–	1,261,515	–	1,261,515	1,090,610	150,067	–	1,240,677	–	1,240,677
b. Net operating result for the year		29,123	–	–	29,123	–	29,123	21,902	–	–	21,902	–	21,902
c. Other comprehensive income													
Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	307,098	–	307,098	–	307,098	–	(1,064)	–	(1,064)	–	(1,064)
Other comprehensive income		–	307,098	–	307,098	–	307,098	–	(1,064)	–	(1,064)	–	(1,064)
Total comprehensive income (b&c)		29,123	307,098	–	336,221	–	336,221	21,902	(1,064)	–	20,838	–	20,838
Equity – balance at end of the reporting period		1,141,635	456,101	–	1,597,736	–	1,597,736	1,112,512	149,003	–	1,261,515	–	1,261,515

City of Canada Bay

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
50,250	Rates and annual charges		50,257	49,742
13,334	User charges and fees		17,308	15,322
2,117	Investment and interest revenue received		2,360	4,232
8,912	Grants and contributions		19,527	18,809
–	Bonds, deposits and retention amounts received		8,038	7,524
8,329	Other		13,908	13,746
Payments:				
(31,894)	Employee benefits and on-costs		(32,488)	(30,417)
(22,837)	Materials and contracts		(20,189)	(22,129)
(222)	Borrowing costs		(222)	(248)
–	Bonds, deposits and retention amounts refunded		(7,572)	(5,804)
(13,791)	Other		(19,698)	(18,531)
14,198	Net cash provided (or used in) operating activities	11b	31,229	32,246
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		119,649	77,832
–	Sale of investment property		–	773
1,260	Sale of infrastructure, property, plant and equipment		1,169	4,441
Payments:				
–	Purchase of investment securities		(118,738)	(83,061)
–	Purchase of investment property		–	(1,154)
(12,248)	Purchase of infrastructure, property, plant and equipment		(29,279)	(34,663)
(10,988)	Net cash provided (or used in) investing activities		(27,199)	(35,832)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(438)	Repayment of borrowings and advances		(438)	(412)
(438)	Net cash flow provided (used in) financing activities		(438)	(412)
2,772	Net increase/(decrease) in cash and cash equivalents		3,592	(3,998)
859	Plus: cash and cash equivalents – beginning of year	11a	1,924	5,922
3,631	Cash and cash equivalents – end of the year	11a	5,516	1,924
Additional Information:				
	plus: Investments on hand – end of year	6b	85,150	86,061
Total cash, cash equivalents and investments			90,666	87,985

Please refer to Note 11 for additional information.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	20
2(b)	Council functions/activities – component descriptions	21
3	Income from continuing operations	22
4	Expenses from continuing operations	27
5	Gains or losses from the disposal of assets	31
6(a)	Cash and cash equivalent assets	32
6(b)	Investments	32
6(c)	Restricted cash, cash equivalents and investments – details	2
7	Receivables	34
8	Inventories and other assets	35
9(a)	Infrastructure, property, plant and equipment	36
9(b)	Externally restricted infrastructure, property, plant and equipment	37 n/a
9(c)	Infrastructure, property, plant and equipment – current year impairments	37 n/a
10(a)	Payables, borrowings and provisions	38
10(b)	Description of (and movements in) provisions	39
11	Statement of cash flows – additional information	40
12	Commitments for expenditure	42
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	44
	13a (ii) Local government industry graphs (consolidated)	45
14	Investment properties	47
15	Financial risk management	48
16	Material budget variations	52
17	Statement of developer contributions	54
18	Contingencies and other liabilities/assets not recognised	58
19	Interests in other entities	60 n/a
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	60
21	Financial result and financial position by fund	65 n/a
22	'Held for sale' non-current assets and disposal groups	65
23	Events occurring after the reporting date	66
24	Discontinued operations	66 n/a
25	Intangible assets	67
26	Reinstatement, rehabilitation and restoration liabilities	67 n/a
27	Fair value measurement	68
28	Related party disclosures	72
 Additional council disclosures		
29	Financial review	73
30	Council information and contact details	74

n/a – not applicable

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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.

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB124 – Related Parties accounting standard adopted in this year's financial statements.

(ii) Early adoption of standards

Council did not early adopt any accounting standards.

(iii) 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 property, plant and equipment and investment property.

(iv) Significant accounting estimates and judgements

Council did not exercise any significant accounting estimates and judgements in the preparation of these financial statements.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material

adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.

Significant judgements in applying the Council's accounting policies Council's accounting policies

Impairment of Receivables

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

(b) Revenue recognition

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 Councils 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. 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.

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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value 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 undischarged at reporting date, the unused grant or contribution is disclosed in Note 3(g).

The note also discloses the amount of unused grant or contribution from prior years that was expended on Councils operations during the current year.

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.

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Councils right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

(c) Principles of consolidation

(i) 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 Councils Consolidated Fund unless it is required to be held in the Councils Trust Fund.

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

- General purpose operations
- Five Dock Leisure Centre
- Wellbank and Victoria Ave Childcare Centres

(ii) 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 Councils control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the leases inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the assets useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets 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 assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets 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.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes 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.

(g) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

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

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

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.

(i) 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 classified as current assets.

(ii) 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 that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Councils management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in noncurrent assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

Financial assets 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.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and nonmonetary securities classified as available-for-sale are recognised in equity.

Impairment

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.

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.

Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instruments fair value using an observable market price.

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

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

The amount of the impairment allowance is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations.

(j) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Stormwater drainage
- Swimming pools

Internally valued:

- Other open space/recreational assets
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Bulk earthworks
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued assets carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the assets fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 assets 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.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment

Office equipment 5 to 10 years
Office furniture 10 to 20 years
Computer equipment 3years
Vehicles 5 to 8 years
Heavy plant/road making equipment 5 to 8 years
Other plant and equipment 5 to 15 years

Other equipment

Playground equipment 5 to 15 years
Benches, seats etc. 10 to 20 years

Buildings

Buildings: masonry 50 to 100 years
Buildings: other 20 to 40 years

Stormwater assets

Drains 150 years
Culverts 150 years
Flood control structures 150 years

Transportation assets

Sealed roads: surface & pavement 30 to 100years
Sealed roads: structure 80 to 100 years
Unsealed roads 20 years
Bridge: concrete 100years
Bridge: other 50 to 80years
Kerb, gutter and footpaths 80years

Other infrastructure assets

Bulk earthworks Infinite
Swimming pools 50 years
Other open space / recreational assets 40years
Other infrastructure 40years

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

(m) 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.

(n) 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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent 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.

(o) 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.

(p) Provisions

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

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

Provisions are measured at the present value of managements 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.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including nonmonetary 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.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(iii) 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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation funds assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, 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.

Defined Contribution 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.

(r) Land under roads

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

Council has elected 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.

(s) 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 3 to 5 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.

(t) Crown reserves

Crown Reserves under Councils 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 Councils Income Statement.

(u) 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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(v) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(w) Comparative figures

To ensure comparability with the current reporting periods figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 Financial Instruments (December 2009)
- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	45	78	1,463	813	1,008	(1,463)	(768)	(930)	–	33	2,409	7,426
Administration	5,007	25,298	18,300	6,541	7,919	6,063	(1,534)	17,379	12,237	600	109	148,642	140,792
Public order and safety	4,886	5,345	4,752	4,916	4,187	4,716	(30)	1,158	36	–	–	542	620
Health	187	226	194	538	526	508	(351)	(300)	(314)	–	–	105	153
Environment	15,364	16,630	16,280	19,691	18,731	19,205	(4,327)	(2,101)	(2,925)	297	386	95,822	95,981
Community services and education	2,781	2,995	2,860	5,282	5,493	5,234	(2,501)	(2,498)	(2,374)	150	160	9,576	7,548
Housing and community amenities	1,973	2,069	2,192	6,441	6,720	6,362	(4,468)	(4,651)	(4,170)	492	437	47,171	60,046
Recreation and culture	6,706	8,468	7,147	23,298	23,289	20,876	(16,592)	(14,821)	(13,729)	832	532	254,307	222,000
Mining, manufacturing and construction	570	562	527	1,281	1,215	1,283	(711)	(653)	(756)	–	–	249	308
Transport and communication	3,587	5,895	4,855	10,256	10,257	9,508	(6,669)	(4,362)	(4,653)	1,192	1,292	1,069,702	756,422
Economic affairs	153	120	340	1,281	1,349	1,904	(1,128)	(1,229)	(1,564)	10	–	17	342
Total functions and activities	41,214	67,653	57,525	80,988	80,499	76,667	(39,774)	(12,846)	(19,142)	3,573	2,949	1,628,542	1,291,638
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	41,285	41,969	41,044	–	–	–	41,285	41,969	41,044	3,986	2,779	–	–
Operating result from continuing operations	82,499	109,622	98,569	80,988	80,499	76,667	1,511	29,123	21,902	7,559	5,728	1,628,542	1,291,638

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

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:

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		30,706	30,228
Business		5,228	4,882
Total ordinary rates		35,934	35,110
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		13,626	13,791
Stormwater management services		721	726
Total annual charges		14,347	14,517
TOTAL RATES AND ANNUAL CHARGES		50,281	49,627

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		569	554
Total user charges		569	554
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		344	326
Planning and building regulation		779	1,045
Private works – section 67		634	422
Registration fees		17	32
Section 149 certificates (EPA Act)		245	272
Section 603 certificates		119	142
Section 611 charges		72	79
Occupancy of public land		394	267
Hoardings		513	162
Shop inspections		173	154
Total fees and charges – statutory/regulatory		3,290	2,901

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees (continued)			
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Admission and service fees		942	722
Aged care		24	18
Child care		2,728	2,605
Golf course fees		1,430	1,446
Halls and meeting rooms		522	367
Library		29	18
Leaseback fees – Council vehicles		318	334
Leisure centre		3,123	2,860
Park rents		345	287
Parking fees		705	749
Restoration charges		2,165	841
Other		9	7
Total fees and charges – other		12,340	10,254
TOTAL USER CHARGES AND FEES		16,199	13,709
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		79	82
– Interest earned on investments (interest and coupon payment income)		2,567	2,794
– Interest (other)		2	6
Dividend income		21	1,072
TOTAL INTEREST AND INVESTMENT REVENUE		2,669	3,954
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		79	82
General Council cash and investments		1,970	3,073
Restricted investments/funds – external:			
Development contributions			
– Section 94		355	334
– Voluntary planning agreements		265	465
Total interest and investment revenue recognised		2,669	3,954

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Other revenues			
Fair value increments – investment properties	14	10,974	–
Rental income – investment properties	14	234	242
Rental income – other council properties		1,875	1,627
Fines – building compliance		121	96
Fines – parking		4,287	3,830
Fines – other		27	17
Legal fees recovery – rates and charges (extra charges)		59	92
Legal fees recovery – other		43	2
Commissions and agency fees		5	5
Bus Shelter Advertising		811	550
Diesel rebate		18	17
North Strathfield rail underpass project		4	95
Recycling income		347	297
Rental income – affordable housing		331	295
Rental income – footpath dining		442	450
Sale of abandoned vehicles		49	32
Sales – general		28	16
Sponsorships		59	97
Waste management performance bonus		210	207
Carbon Tax Reimbursement		395	–
FESL Reimbursement		129	–
Other		450	282
<u>TOTAL OTHER REVENUE</u>		<u>20,898</u>	<u>8,249</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,696	1,774	–	–
Financial assistance – local roads component	899	597	–	–
Pensioners' rates subsidies – general component	391	392	–	–
Other grants	–	16	–	–
Total general purpose	3,986	2,779	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	151	152	–	–
Community care	435	439	–	10
Economic development	5	–	–	–
Employment and training programs	25	27	–	–
Environmental projects	110	136	–	50
Environmental protection	38	–	–	–
Heritage and cultural	16	27	–	–
Library	244	237	–	–
LIRS subsidy	81	90	–	–
Planning	55	–	–	–
Recreation and culture	–	–	115	130
Sport and recreation	14	–	932	200
Street lighting	160	158	–	–
Traffic route subsidy	30	27	–	–
Transport (roads to recovery)	1,095	1,200	–	–
Transport (road safety funding)	67	66	–	–
Total specific purpose	2,526	2,559	1,047	390
Total grants	6,512	5,338	1,047	390
Grant revenue is attributable to:				
– Commonwealth funding	1,382	3,812	901	50
– State funding	5,086	1,469	31	258
– Other funding	44	57	115	82
	6,512	5,338	1,047	390

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	2,603	1,650
S 94 – contributions towards amenities/services	–	–	5,785	8,610
S 94A – fixed development consent levies	–	–	1,736	1,065
Total developer contributions	–	–	10,124	11,325
Other contributions:				
Environmental contributions	21	166	–	–
Insurance incentive scheme contribution	126	129	–	–
Other councils – joint works/services	–	10	–	–
Recreation and culture	–	–	169	1,025
RMS contributions (regional roads, block grant)	360	346	1,157	1,480
Other	59	45	–	–
Total other contributions	566	696	1,326	2,505
Total contributions	566	696	11,450	13,830
TOTAL GRANTS AND CONTRIBUTIONS	7,078	6,034	12,497	14,220

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	39,718	45,850
Add: grants and contributions recognised in the current period but not yet spent:	9,357	12,420
Less: grants and contributions recognised in a previous reporting period now spent:	(16,725)	(18,552)
Net increase (decrease) in restricted assets during the period	(7,368)	(6,132)
Unexpended and held as restricted assets	32,350	39,718
Comprising:		
– Specific purpose unexpended grants	851	734
– Developer contributions	31,499	38,984
	32,350	39,718

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		25,793	23,856
Travel expenses		31	21
Employee leave entitlements (ELE)		2,705	2,737
Superannuation – defined benefit plans		403	439
Superannuation – guarantee levy		2,425	2,296
Workers' compensation insurance		496	597
Fringe benefit tax (FBT)		216	214
Training costs (other than salaries and wages)		354	222
Protective clothing		72	72
Maternity leave		91	133
Other		105	86
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>32,691</u>	<u>30,673</u>
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		222	248
Total interest bearing liability costs expensed		<u>222</u>	<u>248</u>
(ii) Other borrowing costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>222</u>	<u>248</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		2,422	2,035
Contractor and consultancy costs			
– Cleaning		555	470
– Contractor and consultancy costs		38	78
– Information technology		130	195
– Golf course management		215	188
– Rate payment agencies		91	102
– Swimming pool management		298	286
– Waste management		7,072	7,185
– Contractor maintenance and repairs		5,120	5,042
Contractor and consultancy costs – other contractor and consultancy costs		3,030	3,628
Auditors remuneration ⁽¹⁾		63	48
Infringement notice contract costs (SEINS)		533	393
Legal expenses:			
– Legal expenses: planning and development		224	136
– Legal expenses: debt recovery		57	94
– Legal expenses: other		369	324
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		281	386
Other		46	58
TOTAL MATERIALS AND CONTRACTS		20,544	20,648
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		63	–
Total Auditor-General remuneration		63	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		–	48
Remuneration for audit and other assurance services		–	48
Total Auditor remuneration		63	48
2. Operating lease payments are attributable to:			
Computers		281	350
Other		–	36
		281	386

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		783	786
Office equipment		28	26
Furniture and fittings		71	71
Land improvements (depreciable)		532	570
Infrastructure:			
– Buildings – non-specialised		1,968	1,699
– Buildings – specialised		100	91
– Other structures		1,486	1,351
– Roads		3,981	3,268
– Bridges		61	49
– Footpaths		888	667
– Stormwater drainage		1,507	1,494
– Swimming pools		87	83
Other assets			
– Heritage collections		7	1
– Library books		360	328
– Other		101	105
Intangible assets	25	702	614
Total depreciation and amortisation costs		12,662	11,203
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		12,662	11,203

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		281	287
Agency personnel		991	1,243
Bad and doubtful debts		134	–
Bank charges		104	83
Computer software charges		1,035	769
Contributions/levies to other levels of government			
– Department of planning levy		164	160
– Emergency services levy		149	137
– NSW fire brigade levy		1,387	1,368
– Waste levy		3,065	2,832
Councillor expenses – mayoral fee		42	38
Councillor expenses – councillors' fees		152	164
Councillors' expenses (incl. mayor) – other (excluding fees above)		2	5
Donations, contributions and assistance to other organisations (Section 356)			
– Donations, contributions and assistance		480	601
Electricity and heating		863	865
Fair value decrements – investment properties	14	–	25
Fuel and oil		371	382
Insurance – excess		54	132
Insurance – premiums		1,129	1,118
Motor vehicle registrations		104	98
Postage		153	141
Printing and stationery		153	144
Strata levies		58	50
Street lighting		1,151	1,159
Subscriptions and publications		350	388
Telephone and communications		494	477
Valuation fees		113	110
Water		423	503
Other		611	616
<u>TOTAL OTHER EXPENSES</u>		<u>14,013</u>	<u>13,895</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		279	529
Less: carrying amount of property assets sold/written off		(441)	(109)
Net gain/(loss) on disposal		(162)	420
Plant and equipment			
Proceeds from disposal – plant and equipment		890	891
Less: carrying amount of plant and equipment assets sold/written off		(833)	(863)
Net gain/(loss) on disposal		57	28
Infrastructure			
Proceeds from disposal – infrastructure		–	3,021
Less: carrying amount of infrastructure assets sold/written off		(160)	(1,016)
Net gain/(loss) on disposal		(160)	2,005
Investment properties			
Proceeds from disposal – investment properties		–	773
Less: carrying amount of investment properties sold/written off		–	(450)
Net gain/(loss) on disposal		–	323
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		119,649	77,832
Less: carrying amount of financial assets sold/redeemed/matured		(119,649)	(77,832)
Net gain/(loss) on disposal		–	–
Other			
Less: carrying amount of Other assets sold/written off		(102)	–
Net gain/(loss) on disposal		(102)	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(367)</u>	<u>2,776</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,147	–	344	–
Cash-equivalent assets ¹					
– Deposits at call		4,369	–	1,580	–
Total cash and cash equivalents		5,516	–	1,924	–
Investments (Note 6b)					
– Long term deposits		81,150	–	81,061	–
– NCD's, FRN's (with maturities > 3 months)		–	4,000	–	5,000
Total investments		81,150	4,000	81,061	5,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		86,666	4,000	82,985	5,000

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Investments were classified at year end in accordance with AASB 139 as follows:

Investments

b. 'Held to maturity'	81,150	4,000	81,061	5,000
Investments	81,150	4,000	81,061	5,000

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	86,666	4,000	82,985	5,000
attributable to:				
External restrictions (refer below)	46,073	4,000	50,124	5,000
Internal restrictions (refer below)	31,411	–	27,320	–
Unrestricted	9,182	–	5,541	–
	86,666	4,000	82,985	5,000

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (cont'd)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – general (A)	3,296	–	(43)	3,253
External restrictions – included in liabilities	3,296	–	(43)	3,253
External restrictions – other				
Developer contributions – general (D)	38,984	8,862	(16,347)	31,499
Specific purpose unexpended grants (F)	734	117	–	851
Domestic waste management (G)	11,775	3,404	(1,024)	14,155
Stormwater management (G)	335	721	(741)	315
External restrictions – other	51,828	13,104	(18,112)	46,820
Total external restrictions	55,124	13,104	(18,155)	50,073
Internal restrictions				
Plant and vehicle replacement	764	97	–	861
Infrastructure replacement – parking	584	465	(619)	430
Employees leave entitlement	1,706	–	–	1,706
Carry over works	2,383	2,178	(1,876)	2,685
Deposits, retentions and bonds	11,107	8,038	(7,474)	11,671
Affordable housing	1,377	638	(844)	1,171
Building reserve	524	486	(40)	970
Concord library and childcare centre	886	79	(80)	885
Concord oval	86	–	–	86
Drummoyne oval lights reserve	223	–	(4)	219
Election of councillors	300	50	–	350
Energy efficiency reserve	89	136	(25)	200
Financial sustainability	2,993	2,587	(1,783)	3,797
Five dock leisure centre	538	500	(42)	996
Investment fund	2,118	278	(169)	2,227
Massey park golf course	(14)	14	–	–
North Strathfield rail underpass	1,095	100	(320)	875
Risk management reserve	240	198	(214)	224
Strathfield triangle reserve	(384)	384	–	–
Victoria avenue childcare	133	44	(50)	127
Water for the community	140	140	–	280
Workers compensation	432	–	(5)	427
Financial Assistance Grant Advance	–	1,224	–	1,224
Total internal restrictions	27,320	17,636	(13,545)	31,411
TOTAL RESTRICTIONS	82,444	30,740	(31,700)	81,484

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		600	106	576	–
Interest and extra charges		53	28	86	–
User charges and fees		110	–	81	–
Private works		4	–	27	–
Accrued revenues					
– Interest on investments		996	–	654	–
Government grants and subsidies		376	–	2,210	–
Loans to non-profit organisations		14	–	22	–
Net GST receivable		400	–	637	–
Employee advances		37	–	41	–
General debtors		2,089	–	1,295	–
Infringements		844	–	845	–
Property leases		371	–	260	–
Road restorations		338	–	200	–
Other debtors		–	–	1	–
Total		6,232	134	6,935	–
Less: provision for impairment					
Rates and annual charges		–	(106)	–	–
Interest and extra charges		–	(28)	–	–
Other debtors		(104)	–	(66)	–
Total provision for impairment – receivables		(104)	(134)	(66)	–
<u>TOTAL NET RECEIVABLES</u>		<u>6,128</u>	<u>–</u>	<u>6,869</u>	<u>–</u>
Externally restricted receivables					
Domestic waste management		372	–	196	–
Stormwater management		13	–	10	–
– Grants		376	–	316	–
Total external restrictions		761	–	522	–
Internally restricted receivables					
– Affordable housing		298	–	336	–
Internally restricted receivables		298	–	336	–
Unrestricted receivables		5,069	–	6,011	–
<u>TOTAL NET RECEIVABLES</u>		<u>6,128</u>	<u>–</u>	<u>6,869</u>	<u>–</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.00% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		56	–	25	–
Total inventories at cost		56	–	25	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>56</u>	<u>–</u>	<u>25</u>	<u>–</u>
(b) Other assets					
Prepayments		201	–	303	–
<u>TOTAL OTHER ASSETS</u>		<u>201</u>	<u>–</u>	<u>303</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures**Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	24,268	–	24,268	–	3,597	–	–	(24,051)	–	(89)	–	3,725	–	3,725
Plant and equipment	7,419	3,339	4,080	–	1,683	(833)	(783)	–	(5)	–	–	7,642	3,500	4,142
Office equipment	1,215	1,087	128	–	69	(102)	(28)	21	–	–	–	1,050	962	88
Furniture and fittings	1,221	933	288	–	41	–	(71)	23	–	–	–	1,285	1,004	281
Land:														
– Operational land	57,030	–	57,030	–	–	(250)	–	12	–	–	–	56,792	–	56,792
– Community land	133,241	–	133,241	–	–	–	–	–	–	–	–	133,241	–	133,241
– Land under roads (pre 1/7/08)	447,996	–	447,996	–	–	–	–	–	–	–	301,828	749,824	–	749,824
– Land under roads (post 30/6/08)	7,822	–	7,822	–	–	–	–	–	–	–	5,270	13,092	–	13,092
Land improvements – depreciable	15,286	4,332	10,954	797	–	–	(532)	2,950	(68)	–	–	18,967	4,866	14,101
Infrastructure:														
– Buildings – non-specialised	120,214	54,119	66,095	565	10,442	(191)	(1,968)	14,798	16	–	–	145,707	55,950	89,757
– Buildings – specialised	10,495	7,146	3,349	12	–	–	(100)	12	–	–	–	10,519	7,246	3,273
– Other structures	137,891	92,251	45,640	909	–	(45)	(1,486)	173	52	–	–	138,952	93,709	45,243
– Roads	281,570	43,933	237,637	7,106	1,624	(71)	(3,981)	1,906	(16)	–	–	292,119	47,914	244,205
– Bridges	5,960	1,382	4,578	–	–	–	(61)	–	–	–	–	5,960	1,443	4,517
– Footpaths	62,944	16,720	46,224	1,660	437	–	(888)	388	16	–	–	65,429	17,592	47,837
– Stormwater drainage	131,653	57,127	74,526	814	67	(44)	(1,507)	86	–	–	–	132,541	58,599	73,942
– Swimming pools	5,252	1,204	4,048	184	–	–	(87)	–	–	–	–	5,436	1,291	4,145
Other assets:														
– Public Art	508	1	507	–	182	–	(7)	70	–	–	–	760	8	752
– Library books	3,968	2,868	1,100	–	419	–	(360)	10	–	–	–	4,397	3,228	1,169
– Other	1,646	889	757	–	500	–	(101)	3,602	–	–	–	5,747	989	4,758
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,457,599	287,331	1,170,268	12,047	19,061	(1,536)	(11,960)	–	(5)	(89)	307,098	1,793,185	298,301	1,494,884

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,141	–	755	–
Accrued expenses:					
– Other expenditure accruals		2,700	–	3,692	–
Security bonds, deposits and retentions		11,573	–	11,107	–
Total payables		15,414	–	15,554	–
Income received in advance					
Payments received in advance		2,385	–	1,270	–
Total income received in advance		2,385	–	1,270	–
Borrowings					
Loans – secured ¹		463	3,166	438	3,629
Total borrowings		463	3,166	438	3,629
Provisions					
Employee benefits:					
Annual leave		2,720	–	2,590	–
Sick leave		233	–	247	–
Long service leave		5,668	757	5,947	391
Sub-total – aggregate employee benefits		8,621	757	8,784	391
Self insurance – other		–	–	57	–
Total provisions		8,621	757	8,841	391
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		26,883	3,923	26,103	4,020
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		477	–	1,119	–
Liabilities relating to externally restricted assets		477	–	1,119	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		477	–	1,119	–
Total liabilities relating to unrestricted assets		26,406	3,923	24,984	4,020
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		26,883	3,923	26,103	4,020

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 15.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities 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.		
Provisions – employees benefits	6,703	5,930
Payables – security bonds, deposits and retentions	8,095	7,770
	14,798	13,700

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	2,590	2,023	(1,893)	–	–	2,720
Sick leave	247	(14)	–	–	–	233
Long service leave	6,338	718	(631)	–	–	6,425
Self insurance	57	–	(57)	–	–	–
TOTAL	9,232	2,727	(2,581)	–	–	9,378

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,516	1,924
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		5,516	1,924
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		29,123	21,902
Adjust for non-cash items:			
Depreciation and amortisation		12,662	11,203
Net losses/(gains) on disposal of assets		367	(2,776)
Non-cash capital grants and contributions		(1,882)	(270)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		(10,974)	25
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		569	529
Increase/(decrease) in provision for doubtful debts		172	–
Decrease/(increase) in inventories		(31)	31
Decrease/(increase) in other assets		102	(303)
Increase/(decrease) in payables		386	445
Increase/(decrease) in other accrued expenses payable		(992)	(1,492)
Increase/(decrease) in other liabilities		1,581	2,646
Increase/(decrease) in employee leave entitlements		203	306
Increase/(decrease) in other provisions		(57)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		31,229	32,246

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		1,882	270
Total non-cash investing and financing activities		1,882	270
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		150	150
Total financing arrangements		650	650

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(e) Bank guarantees

Council has guaranteed an amount of \$5,000 to Agility Management Pty Ltd as security for Contract Works relating to the permanent reinstatement of road, footpath and paved surfaces and associated works in NSW. This guarantee was executed on 30 September 2004.

Council has also guaranteed an amount of \$5,000 to Jemena Asset Management (4) P/L as security for Contract Works relating to the permanent reinstatement of road, footpath and paved surfaces. This guarantee expires on 5 November 2017.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(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		930	10,917
Plant and equipment		–	95
Recreational projects		4,504	3,027
Roads, bridges and footpaths		2,575	8,562
Stormwater drainage		145	504
Seawalls		680	–
Other		42	–
Total commitments		8,876	23,105
These expenditures are payable as follows:			
Within the next year		8,876	23,105
Total payable		8,876	23,105
Sources for funding of capital commitments:			
Unrestricted general funds		672	1,384
Future grants and contributions		142	1,736
Sect 64 and 94 funds/reserves		3,299	15,239
Unexpended grants		110	48
Externally restricted reserves		664	2,271
Internally restricted reserves		3,591	2,427
Unexpended loans		253	–
Stormwater Levy		145	–
Total sources of funding		8,876	23,105

Details of capital commitments

Capital expenditure commitments relate to projects budgetted for in 2016/17 but had not been completed by 30 June. The unexpended budget amount has been carried forward to 2017/18 to enable capital works projects to be completed.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) Finance lease commitments			
Nil			
(c) 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		281	235
Later than one year and not later than 5 years		1,124	105
Later than 5 years		–	–
Total non-cancellable operating lease commitments		1,405	340

Conditions relating to operating leases:

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

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c).

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>6,019</u>	6.99%	6.04%	3.92%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>86,151</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>79,073</u>	80.16%	78.86%	75.71%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>98,648</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>48,317</u>	4.16x	3.50x	2.96x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>11,608</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>18,903</u>	28.64x	24.82x	21.76x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>660</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>653</u>	1.28%	1.31%	1.57%	< 5% Metro
Rates, annual and extra charges collectible	<u>51,081</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>86,666</u>	12.90 mths	12.8 mths	14.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>6,717</u>				

Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

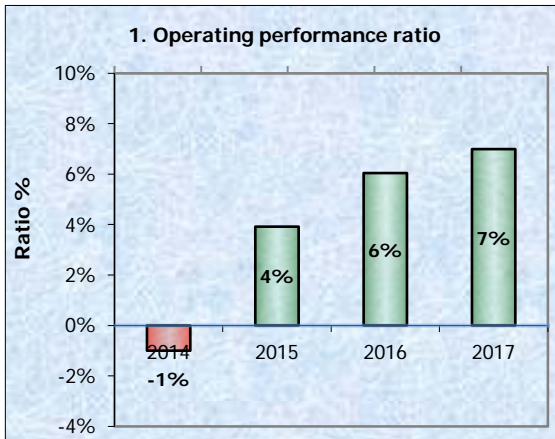
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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



Commentary on 2016/17 result

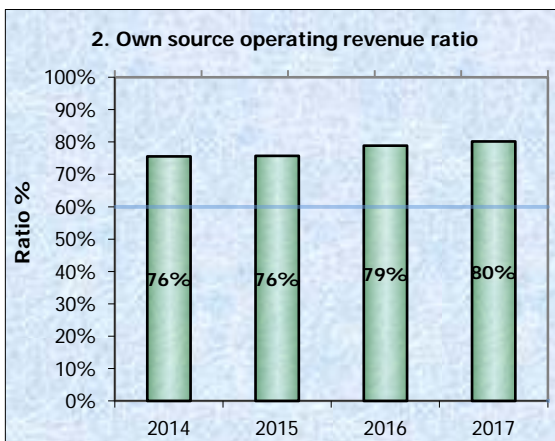
2016/17 ratio 6.99%

The Operating Performance result was expected to be maintained at approximately 6%. The better than expected result is partly related to the \$1.2M advance payment of the 2017/18 Financial Assistance Grant.

Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



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 2016/17 result

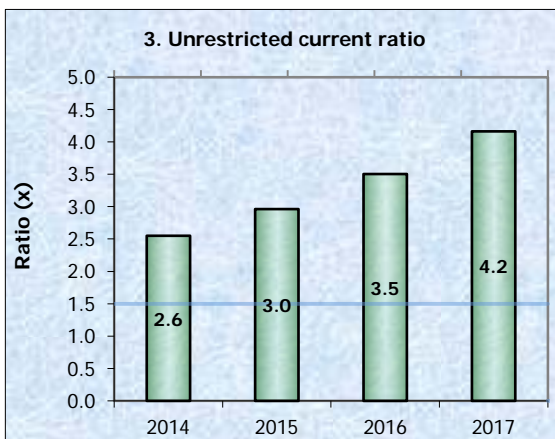
2016/17 ratio 80.16%

This ratio measures fiscal flexibility and robustness. Financial flexibility increases as the level of own source revenue increases giving greater ability to manage external shocks or challenges. Council's above benchmark own source revenue ratio indicates a greater ability to control or manage its operating performance and financial sustainability without reliance on grants and other contributions.

Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



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 2016/17 result

2016/17 ratio 4.16x

The Unrestricted Current Ratio excludes cash reserves that are restricted for specific purposes and which cannot be used to meet short term obligations for Accounts Payable and Loan Servicing costs.

Benchmark: — Minimum ≥ 1.50

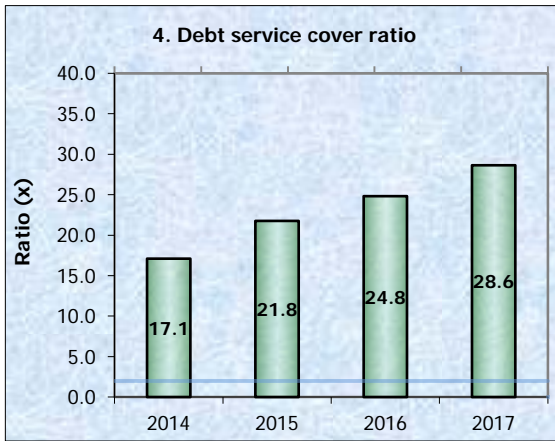
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



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 2016/17 result

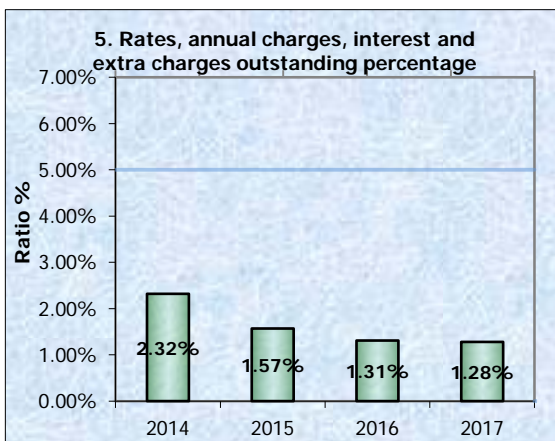
2016/17 ratio 28.64x

It is considered reasonable for Councils to maintain a Debt Service Cover Ratio of at least 2. Council has financial capacity to borrow for appropriate infrastructure projects should it be required.

Benchmark: Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

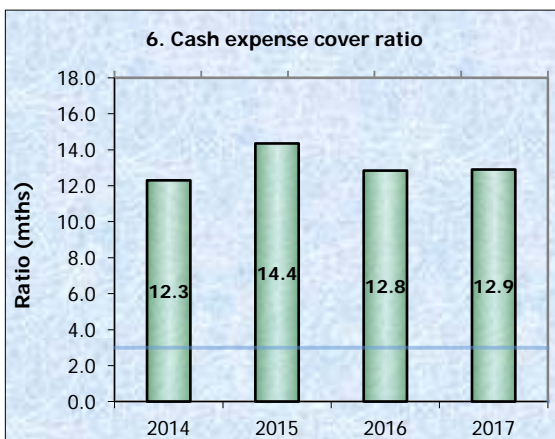
2016/17 ratio 1.28%

The result is well within Council's target of 3% and is significantly better than the industry benchmark for Urban Councils of 5%. The ratio reflects uncollected rates and charges as at 30 June of \$787K. A provision for Doubtful Rates has been established in 2016/17 in the amount of \$134K. The provision corresponds to the total amount outstanding for a number of Strata Lots considered to be of lesser value than the debt outstanding.

Benchmark: Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



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 2016/17 result

2016/17 ratio 12.90 mths

This ratio remains at approximately 5 times the minimum benchmark of 3 months and is regarded as strong. It indicates that Council could operate for 12.9 months without additional cash inflow.

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>32,920</u>	<u>24,046</u>
Reconciliation of annual movement:			
Opening balance		24,046	23,367
– Capitalised expenditure – this year		–	37
– Classified as ‘held for sale’		(2,100)	–
– Disposals during year		–	(450)
– Net gain/(loss) from fair value adjustments		10,974	(25)
– Transfers from/(to) owner occupied (Note 9)		–	1,117
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>32,920</u>	<u>24,046</u>
(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.			
A revaluation of investment property land and buildings was undertaken by Southern Alliance Valuers during 2017. The revaluation was completed in March 2017 with a measurement date of 30 June 2017. Principal Valuer - Chris Stening AAPI, certified practicing valuer.			
(c) Contractual obligations at reporting date			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
(d) Leasing arrangements – Council as lessor			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		246	240
Later than 1 year but less than 5 years		1,042	991
Later than 5 years		276	260
Total minimum lease payments receivable		<u>1,564</u>	<u>1,491</u>
(e) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		234	242
Direct operating expenses on investment properties:			
– that generated rental income		(16)	(17)
Net revenue contribution from investment properties		<u>218</u>	<u>225</u>
plus: Fair value movement for year		10,974	(25)
Total income attributable to investment properties		<u>11,192</u>	<u>200</u>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management

\$ '000

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.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	5,516	1,924	5,516	1,924
Investments				
– 'Held to maturity'	85,150	86,061	85,150	86,061
Receivables	6,128	6,869	6,128	6,868
Total financial assets	96,794	94,854	96,794	94,853
Financial liabilities				
Payables	15,414	15,554	15,414	15,554
Loans/advances	3,629	4,067	3,436	3,851
Total financial liabilities	19,043	19,621	18,850	19,405

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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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. 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.

The risks associated with the investments held are:

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

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

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 following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	907	907	(907)	(907)
2016				
Possible impact of a 1% movement in interest rates	880	880	(880)	(880)

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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.

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

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

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

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

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

	2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	45%	0%	73%
Overdue	100%	55%	100%	27%
	100%	100%	100%	100%

		2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges					
Current	–	2,553	–	5,177	
< 1 year overdue	560	2,295	422	629	
1 – 2 years overdue	45	372	116	103	
2 – 5 years overdue	90	360	38	150	
> 5 years overdue	11	80	–	300	
	706	5,660	576	6,359	

	2017	2016
(iii) Movement in provision for impairment of receivables		
Balance at the beginning of the year	66	66
+ new provisions recognised during the year	191	–
– amounts already provided for and written off this year	(19)	–
Balance at the end of the year	238	66

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(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.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	11,573	3,841	–	–	–	–	–	15,414	15,414
Loans and advances	–	660	660	660	660	660	1,086	4,386	3,629
Total financial liabilities	11,573	4,501	660	660	660	660	1,086	19,800	19,043
2016									
Trade/other payables	11,107	4,447	–	–	–	–	–	15,554	15,554
Loans and advances	–	660	660	660	660	660	1,746	5,046	4,067
Total financial liabilities	11,107	5,107	660	660	660	660	1,746	20,600	19,621

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 the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	15,414	0.00%	15,554	0.00%
Loans and advances – fixed interest rate	3,629	5.60%	4,067	5.60%
	<u>19,043</u>		<u>19,621</u>	

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 10 May 2016.

While the Income Statement included in this General Purpose Financial Report 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.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	50,264	50,281	17	0%	F
User charges and fees	13,330	16,199	2,869	22%	F
* User charges and fees exceeded budget by \$2.9M. Council collected more fees for hoardings, occupancy of public land, restorations, FDLC and Childcare centres than originally anticipated.					
Interest and investment revenue	2,161	2,669	508	24%	F
* Interest revenue exceeded original budget by \$400K as a result of more funds being available to invest than anticipated.					
Other revenues	8,254	20,898	12,644	153%	F
* Revaluation of Investment properties resulted in a valuation increase of \$10.9M. Fair valuations for Investment properties now amount to \$32.9M					
Operating grants and contributions	4,221	7,078	2,857	68%	F
* Two instalments of the 2017/18 Financial Assistance Grant were brought forward and paid in June 2017. The advance payment of \$1.223M has been reserved for expenditure in the 2017/18 financial year.					
Capital grants and contributions	4,269	12,497	8,228	193%	F
* Developer Contributions greater than anticipated \$7.3M, grants for Recreation project \$900K greater than anticipated					

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	33,262	32,691	571	2%	F
Borrowing costs	222	222	–	0%	F
Materials and contracts	22,841	20,544	2,297	10%	F
* Waste Management costs were \$1.5M less than anticipated.					
Depreciation and amortisation	10,872	12,662	(1,790)	(16%)	U
* Increase in depreciable value of assets					
Other expenses	13,791	14,013	(222)	(2%)	U
Net losses from disposal of assets	–	367	(367)	(100%)	U
* Disposal of Infrastructure assets decommissioned as a result of renewal program. The Library RFID upgrade resulted in the disposal of the existing equipment					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	14,198	31,229	17,031	120.0%	F
* The Original Budget did not account for the favourable cash flows as detailed in the explanations provided above for "Interest and Investment Revenue", "User Fees and Charges" and "Operating and Capital Grants and Contributions."					
Cash flows from investing activities	(10,988)	(27,199)	(16,211)	147.5%	U
* Greater than anticipated purchase of Term Deposit Investments with maturities greater than 90 days.					
Cash flows from financing activities	(438)	(438)	–	0.0%	F

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	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					
Roads	1,438	–	–	21	–	–	1,459	–
Parking	59	–	–	1	–	–	60	–
Open space	14,879	4,473	–	265	(1,457)	–	18,160	–
Community facilities	4,094	631	–	32	(2,623)	–	2,134	–
Community infrastructure	1,636	612	–	–	(2,220)	–	28	–
Administration	139	69	–	3	(21)	–	190	–
Other	122	–	–	2	–	–	124	–
S94 contributions – under a plan	22,367	5,785	–	324	(6,321)	–	22,155	–
S94A levies – under a plan	1,739	1,736	–	31	(1,213)	–	2,293	–
Total S94 revenue under plans	24,106	7,521	–	355	(7,534)	–	24,448	–
S93F planning agreements	14,878	721	1,882	265	(8,813)	–	7,051	–
Total contributions	38,984	8,242	1,882	620	(16,347)	–	31,499	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Contribution Plan - Canada Bay

PURPOSE	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					
Open space	13,004	4,473	–	234	(1,424)	–	16,287	–
Community facilities	2,292	631	–	13	(2,003)	–	933	–
Community infrastructure	1,636	612	–	–	(2,220)	–	28	–
Administration	139	69	–	3	(21)	–	190	–
Total	17,071	5,785	–	250	(5,668)	–	17,438	–

CONTRIBUTION PLAN - Concord area (Rhodes)

PURPOSE	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					
Roads	1,285	–	–	19	–	–	1,304	–
Parking	36	–	–	1	–	–	37	–
Open space	708	–	–	13	(33)	–	688	–
Community facilities	481	–	–	4	–	–	485	–
Total	2,510	–	–	37	(33)	–	2,514	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Concord area (Strathfield triangle)

PURPOSE	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					
Roads	153	–	–	2	–	–	155	–
Parking	23	–	–	–	–	–	23	–
Open space	1,167	–	–	18	–	–	1,185	–
Community facilities	480	–	–	7	–	–	487	–
Other	122	–	–	2	–	–	124	–
Total	1,945	–	–	29	–	–	1,974	–

CONTRIBUTION PLAN - Breakfast point community enhancement

PURPOSE	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					
Community facilities	841	–	–	8	(620)	–	229	–
Total	841	–	–	8	(620)	–	229	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

PURPOSE	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					
Community facilities	1,739	1,736	–	31	(1,213)	–	2,293	–
Total	1,739	1,736	–	31	(1,213)	–	2,293	–

S93F planning agreements

PURPOSE	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					
Strathfield triangle	521	–	–	8	–	–	529	–
Rhodes general	11,551	400	1,882	87	(8,416)	–	3,622	–
Canada Bay general	1,096	321	–	145	(22)	–	1,540	–
Breakfast Point	1,710	–	–	25	(375)	–	1,360	–
Total	14,878	721	1,882	265	(8,813)	–	7,051	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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 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 AASB 119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the Assets in the Scheme are pooled together for all councils.

The amount of employer contributions to the defined defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2017 was \$355K. The last valuation of the Scheme was performed by Mr Richard Boyfield, FFA on 2 December 2016, and covers the year ended 30 June 2017.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2017 a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution included in the total employer contribution advised above is \$192K. Council's expected contribution to the plan for the next annual reporting period is \$319K.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$99K as at 30 June 2017.

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.

(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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(iv) Other Guarantees

Council has guaranteed an amount of \$5,000 to Agility Management Pty Ltd as security for Contract Works relating to the permanent reinstatement of road, footpath and paved surfaces and associated works in NSW. This guarantee was executed on 30 September 2004. Council has also guaranteed an amount of \$5,000 to Jemena Asset Management (4) P/L as security for Contract Works relating to the permanent reinstatement of road, footpath and paved surfaces. This guarantee expires on 5 November 2017.

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's

(ii) S94 plans (continued)

intention to spend funds in the manner and timing set out in those plans.

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

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

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

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

(iv) Legal Matters

Council is defending proceedings in respect of a previous judgement handed down in the Court of Appeal on 1 April 2010 regarding lease and advertising signage.

Council was previously successful in defending the claim lodged by Phoenix Commercial Enterprises however a further claim has now been lodged by the former Directors of that Company. The judgement from those proceedings was delivered in November 2015, and Council was successful in defending the claim. An appeal was subsequently lodged by the former Directors and was heard in December 2016. Council was successful in that appeal.

A number of cost orders have been granted in Council's favour concerning three related companies - Omay Investments Pty Ltd, Omay Holding Pty Ltd, and Arinson Pty Limited.

The matter concerns the related companies being granted easements over 1A Chapman Street. Cost assessment proceedings have commenced and a Supreme Court cost assessor appointed.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council has no interest in any controlled entities, joint arrangements or associates.

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		1,112,512	2,030,751
a. Correction of prior period errors	20 (c)	–	(940,141)
b. Net operating result for the year		29,123	21,902
Balance at end of the reporting period		<u>1,141,635</u>	<u>1,112,512</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
Infrastructure, property, plant and equipment revaluation reserve		456,101	149,003
Total		<u>456,101</u>	<u>149,003</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
Opening balance		149,003	1,622,346
Revaluations for the year	9(a)	307,098	(1,064)
Correction of prior period errors	20(c)	–	(1,472,279)
Balance at end of year		<u>456,101</u>	<u>149,003</u>
TOTAL VALUE OF RESERVES		<u>456,101</u>	<u>149,003</u>

(iii) 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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(c) Correction of error/s relating to a previous reporting period

Investment Properties

Prior to the current accounting period, Council recognised the land parcel, known as River Lane as an Investment Property.

The Fair Valuation as at 30 June 2016 was \$2.068M.

It has been determined that the asset is more appropriately classified "Land Under Roads".

A valuation for the 303.5m² land area has been determined utilising a per meter rate of \$233.69. This rate was used in 2014 when Land Under Roads was last revalued.

As such, an amount of \$71K has been transferred to Land Under Roads commencing from 1 July 2015.

The change in accounting treatment impacts on Council's financial position for periods prior to the earliest period presented in Council's financial statements.

The opening beginning balances of relevant affected line items in the financial statements have been restated to reflect this change.

The value of Land Under Roads for 2014/15 and 2015/16 has increased by \$71K and the value of Investment Property has decreased by \$2.068M for 2014/15 and 2015/16.

Community and Operational Land

A review of all Council owned land and Crown Reserves under Council's care and control was completed during 2016/17.

The review identified land parcels that were duplicated, not recorded or incorrectly classified.

Community Land was last revalued in the financial year ending 30 June 2011 as part of the staged implementation of assets to be valued at fair value. Council opted to defer the revaluation scheduled for the year ended 30 June 2016 pending a decision of

the proposed merger with Burwood, Strathfield and Canada Bay Councils.

Community Land was valued by Council Officers for the year end 30 June 2011 at average municipal site value of \$811.77 per square metre.

This Average Municipal Site Value "valuation methodology" will be replaced by NSW Valuer General's property specific valuations to represent fair value for the revaluation of community land under Clause 31 of AASB 116.

The adjustment has been treated as a prior period error in the 30 June 2017 financial statements, based on the fact the previous year's valuation (using VG values on an average municipal site basis) did not discount the values to reflect the restricted use of the assets.

The correction of a prior period error will result in a Revaluation decrement of \$1,903,081,000.

The Asset Revaluation Reserve holds \$1,390,156,000 that was established when Community Land was last revalued in the year ending 30 June 2011.

The revaluation decrement is initially reversed against the Asset Revaluation Reserve with the balance of \$512,925,000 adjusted against Retained Earnings as at 30 June 2015.

The above errors have been corrected by restating the beginning balances of the relevant affected line items in the Statement of Financial Position for the earliest prior period presented as indicated in the table on the next page.

Land Under Roads

Land Under Roads was last revalued in the year ending 30 June 2014. The Valuation was based on the municipal average land value of \$1,108 per square meter with a 79% discount factor applied. The resulting discounted rate being \$233.69 per square meter.

To comply with AASB116, Land Under Roads Fair Valuations have been corrected as a prior period error for 2017 and now reflect the required discount

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

factor of 90%. The resulting discounted rate being \$110.86 per square meter.

The correction of the Prior period error will result in a Revaluation decrement of \$503,128,000.

The Asset Revaluation Reserve holds \$54,898,000 that was established when Land Under Roads was last revalued in the year ending 30 June 2014.

The revaluation decrement is initially reversed against the Asset Revaluation Reserve with the balance of \$448,230,000 adjusted against Retained Earnings as at 30 June 2015.

The above errors have been corrected by restating the beginning balances of the relevant affected line items in the Statement of Financial Position for the earliest prior period presented as indicated in the table on the next page.

(d) Voluntary changes in accounting policies

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

	2014/15			2015/16		
	30 June \$'000	Increase / (Decrease)	30 June Restated \$'000	30 June \$'000	Increase / (Decrease)	30 June Restated \$'000
Correction of errors						
Statement of Financial Position						
IPPE	3,559,767	(2,410,352)	1,149,415	3,580,620	(2,410,352)	1,170,268
Land Under Roads pre 1/7/08	942,866	(494,870)	447,996	942,866	(494,870)	447,996
River Lane Reclassification		71			71	
LUR Revaluation based on 90% Discount of Valuer General municipal land value average		(494,941)			(494,941)	
Land Under Roads Post 1/7/08	16,009	(8,187)	7,822	16,009	(8,187)	7,822
LUR Revaluation based on 90% Discount of Valuer General municipal land value average		(8,187)			(8,187)	
Community Land –	2,035,367	(1,902,126)	133,241	2,035,367	(1,902,126)	133,241
Duplication of Investment Property		(2,483)			(2,483)	
Duplication of Operational Land		(4,931)			(4,931)	
Operational Land		(207)			(207)	
Community Land not previously recorded		22,870			22,870	
Crown Land not under Council's care and control		(14,294)			(14,294)	
Community Land Revaluation based on changed valuation basis		(1,903,081)			(1,903,081)	
Operational Land –	62,199	(5,169)	57,030	62,199	(5,169)	57,030
Transfer from Community Land		141			141	
Duplication of Community Land		(5,310)			(5,310)	
Investment Property	25,435	(2,068)	23,367	26,114	(2,068)	24,046

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Retained Earnings	2,030,751	(940,141)	1,090,610	2,052,653	(940,141)	1,112,512
Prior Year Errors		21,014			21,014	
Change of Valuation Basis – Community Land		(512,925)			(512,925)	
Change of Valuation Basis – Land Under Roads		(448,230)			(448,230)	
Revaluation Reserves	1,622,346	(1,472,279)	150,067	1,621,282	(1,472,279)	149,003
Prior Year Errors		(27,225)			(27,225)	
Change of Valuation Basis – Community Land		(1,390,156)			(1,390,156)	
Change of Valuation Basis – Land Under Roads		(54,898)			(54,898)	

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

 \$ '000

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000	2017 Current	2017 Non-current	2016 Current	2016 Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	2,100	–	–	–
Total non-current assets 'held for sale'	2,100	–	–	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>				
	2,100	–	–	–

\$ '000	Assets 'held for sale'	
	2017	2016

(ii) Reconciliation of non-current assets 'held for sale'**Plus new transfers in:**

–Transferred from Investment Property (Refer Note 14)

Closing balance of 'held for sale'**non-current assets and operations**

2,100	–
2,100	–

Refer to Note 27. Fair value measurement for fair value measurement information.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 12/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

On 27 July 2017, the NSW Government announced that council mergers currently before the courts would not proceed. The City of Canada Council's pending merger with Burwood and Strathfield Municipal Councils, as a result, has been abandoned.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,508	3,069
Accumulated amortisation (1/7)	(1,366)	(752)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	2,142	2,317
Movements for the year		
– Purchases	147	439
– Amortisation charges	(702)	(614)
Closing values:		
Gross book value (30/6)	3,655	3,508
Accumulated amortisation (30/6)	(2,068)	(1,366)
Accumulated impairment (30/6)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	1,587	2,142

¹ The net book value of intangible assets represent:

Software and IT system development costs	1,587	2,142
	1,587	2,142

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

The Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

30 June 2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment properties	30/6/17	–	–	32,920	32,920
Infrastructure, property, plant and equipment (IPP&E)					
– Operational land	30/6/13	–	–	56,792	56,792
– Community land	30/6/17	–	–	133,241	133,241
– Land under roads	30/6/17	–	–	762,916	762,916
– Buildings (specialised and non-specialised)	30/6/13	–	–	93,030	93,030
– Roads, bridges, footpaths	30/6/15	–	–	296,559	296,559
– Swimming pools	30/6/13	–	–	4,145	4,145
– Storm water drainage	30/6/15	–	–	73,942	73,942
– Plant and equipment	30/6/15	–	–	4,142	4,142
– Office equipment	30/6/15	–	–	88	88
– Other structures	30/6/15	–	–	45,243	45,243
– Other assets	30/6/13	–	–	24,786	24,786
Total IPP&E		–	–	1,494,884	1,494,884
Total Investment Property and IPP&E				1,527,804	1,527,804

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

30 June 2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment properties	30/6/13	–	–	24,046	24,046
Infrastructure, property, plant and equipment (IPP&E)					
– Operational land	30/6/13	–	–	57,030	57,030
– Community land	30/6/13	–	–	133,241	133,241
– Land under roads	30/6/14	–	–	455,818	455,818
– Buildings (specialised and non-specialised)	30/6/13	–	–	69,444	69,444
– Roads, bridges, footpaths	30/6/15	–	–	288,439	288,439
– Swimming pools	30/6/13	–	–	4,048	4,048
– Stormwater drainage	30/6/15	–	–	74,526	74,526
– Plant and equipment	30/6/15	–	–	4,080	4,080
– Office equipment	30/6/15	–	–	128	128
– Other structures	30/6/15	–	–	45,640	45,640
– Other assets	30/6/13	–	–	37,874	37,874
Total (IPP&E)				1,170,268	1,170,268
Total Investment Property and IPP&E				1,194,314	1,194,314

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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:

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Investment properties

Council engages external, independent and qualified valuers to determine the fair value of its investment properties. A revaluation of investment property land and buildings was undertaken by Southern Alliance Valuers during 2017.

The revaluation was completed in March 2017 with a measurement date of 30 June 2017.

Principal Valuer - Chris Stening AAPI, certified practicing valuer.

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

Condition based assessments have been carried out on these assets to determine fair value, the rate of consumption of service potential and the residual life for valuation purposes.

Community land was revalued using Valuer Generals Valuations. Prior year figures were corrected to account for the use of Valuer General valuations which reflect the restricted use of Community Land.

Land Under Roads was revalued using the latest Valuer General's Valuation of Base Date of 1/7/16. A discounted municipal average of \$185.55 per square meter representing a discount of 90% of Municipal Average of Land Values reflects the restricted nature of Land Under Roads.

(4). Fair value measurements using significant unobservable inputs (Level 3)

a. (1)The following table presents the changes in Level 3 Fair Value Asset Classes for IPP&E:

	Operational land	Community land	Land under roads	Buildings	Roads bridges footpaths	Stormwater drainage	Plant, equip and office equipment	Other assets	Total
Opening Balance 1/7/15	57,030	133,241	455,818	63,708	280,410	73,819	4,185	81,204	1,149,415
Purchases (GBV)	–	–	–	5,858	4,582	733	1,698	22,891	35,762
Disposals (WDV)	–	–	–	(109)	–	(258)	(863)	(758)	(1,988)
Depreciation and Impairment	–	–	–	(1,790)	(3,984)	(1,494)	(812)	(2,509)	(10,589)
Revaluation	–	–	–	–	(1,064)	–	–	–	(1,064)
Transfers	–	–	–	1,777	8,495	1,726	–	(13,266)	(1,268)
Closing Balance 30/6/16	57,030	133,241	455,818	69,444	288,439	74,526	4,208	87,562	1,170,268
Purchases (GBV)	–	–	–	11,019	10,827	881	1,752	6,629	31,108
Disposals (WDV)	(250)	–	–	(191)	(71)	(44)	(935)	(45)	(1,536)
Depreciation and Impairment	–	–	–	(2,068)	(4,930)	(1,507)	(811)	(2,644)	(11,960)
Revaluation	–	–	307,098	–	–	–	–	–	307,098
Transfers	12	–	–	14,826	2,294	86	16	(17,328)	(94)
Closing Balance 30/6/17	56,792	133,241	762,916	93,030	296,559	73,942	4,230	74,174	1,494,884

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

a. (2)The following table presents the changes in Level 3 Fair Value Asset Classes for Investment Property:

	Investment Property	Total
Opening Balance 1/7/15	23,367	23,367
Purchases (GBV)	37	37
Disposals (WDV)	(450)	(450)
Depreciation and Impairment	-	-
Revaluation	(25)	(25)
Transfers	1,117	1,117
Closing Balance 30/6/16	24,046	24,046
Purchases (GBV)	-	-
Disposals (WDV)	-	-
Depreciation and Impairment	-	-
Revaluation	10,974	10,974
Transfers	(2,100)	(2,100)
Closing Balance 30/6/17	32,920	32,920

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

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

Investment properties

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Land and Buildings	32,920	Review of market conditions by an Independent Valuer	Estimated rental value (/m2) and rental growth (per annum)

Infrastructure, Property, Plant & Equipment

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment, furniture & fittings and office equipment	4,511	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	133,241	Land Values obtained from NSW Valuer General	Land Value, Land Area
Land under roads	762,916	Municipal average m2 rate of properties land values as determined by the NSW Valuer General, 90% discount rate, to reflect restricted nature of LUR.	Land Value, Land Area
Land improvements	14,101	Cost used to approximate fair value	Asset condition, remaining useful lives, residual value
Other Structures	45,243	Cost used to approximate fair value	Asset condition, remaining useful lives, residual value
Roads, bridges, footpaths	296,559	Unit rates per m2 or length	Asset condition, remaining useful lives, residual value
Stormwater drainage	73,942	Unit rates per m2 or length	Asset condition, remaining useful lives, residual value
Library books	1,169	Cost used to approximate fair value	Asset condition, remaining useful lives

(5). Highest and best use

Some Council properties, for example, Car parks, which could be redeveloped, are not currently utilised for their highest and best use. All other non-financial assets are considered to be utilised for their highest and best use.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	1,316,220
Post-employment benefits	–
Other long-term benefits	44,840
Termination benefits	148,788
Total	<u>1,509,848</u>

b. Other transactions with KMP and their related parties

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

There were no other transactions with KMP and their related parties.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 29. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2017	2016	2015	2014	2013
Inflows:					
Rates and annual charges revenue	50,281	49,627	47,525	45,367	42,924
User charges revenue	16,199	13,709	13,263	12,003	11,868
Interest and investment revenue (losses)	2,669	3,954	2,925	2,744	3,525
Grants income – operating and capital	7,559	5,728	4,855	5,605	8,515
Total income from continuing operations	109,622	98,569	99,970	91,455	90,815
Sale proceeds from I,PP&E	1,169	5,214	2,863	444	643
New loan borrowings and advances	–	–	–	5,000	–
Outflows:					
Employee benefits and on-cost expenses	32,691	30,673	28,545	28,240	27,144
Borrowing costs	222	248	270	114	51
Materials and contracts expenses	20,544	20,648	20,900	20,428	20,380
Total expenses from continuing operations	80,499	76,667	73,758	72,653	70,378
Total cash purchases of I,PP&E	29,279	34,663	17,668	20,056	16,320
Total loan repayments (incl. finance leases)	438	412	390	499	780
Operating surplus/(deficit) (excl. capital income)	16,626	7,682	8,101	1,278	2,694
Financial position figures					
Current assets	95,151	90,182	91,208	74,557	60,740
Current liabilities	26,883	26,103	24,301	23,771	21,433
Net current assets	68,268	64,079	66,907	50,786	39,307
Available working capital (Unrestricted net current assets)	(616)	(3,882)	4,289	1,392	1,760
Cash and investments – unrestricted	9,182	5,541	10,487	10,175	7,253
Cash and investments – internal restrictions	31,411	27,320	15,624	14,058	12,795
Cash and investments – total	90,666	87,985	86,754	70,394	55,796
Total borrowings outstanding (Loans, advances and finance leases)	3,629	4,067	4,479	4,869	368
Total value of I,PP&E (excl. land and earthworks)	840,236	811,510	781,316	750,534	733,921
Total accumulated depreciation	298,301	287,331	277,990	283,535	318,192
Indicative remaining useful life (as a % of GBV)	64%	65%	64%	62%	57%

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2017

Note 30. Council information and contact details

Principal place of business:

1A Marlborough Street
Drummoyne NSW 2047

Contact details**Mailing address:**

Locked Bag 1470
Drummoyne NSW 2047

Opening hours:

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

Telephone: 02 9911 6555

Facsimile: 02 9911 6550

Internet: www.canadabay.nsw.gov.au

Email: council@canadabay.nsw.gov.au

Officers**GENERAL MANAGER**

Mr. Gary Sawyer

RESPONSIBLE ACCOUNTING OFFICER

Mr. Mark Wohlfiel

PUBLIC OFFICER

Mr. Bob Pigott

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret St
GPO BOX 12
SYDNEY NSW 2000

Elected members**MAYOR**

Cr. Helen McCaffrey

COUNCILLORS

Cr. Tanveer Ahmed
Cr. Mirjana Cestar
Cr. Tony Fasanella
Cr. Neil Kenzler
Cr. Michael Megna
Cr. Marian Parnaby
Cr. Pauline Tyrrell

Other information

ABN: 79 130 029 350



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

City of Canada Bay Council

To the Councillors of the City of Canada Bay Council

Opinion

I have audited the accompanying financial statements of City of Canada Bay Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, 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 2017, 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 Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 20 September 2016.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility 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/ar3.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, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

Renee Meimaroglou
Director, Financial Audit Services

12 October 2017
SYDNEY

Mr Angelo Tsirekas
Mayor
City of Canada Bay Council
1A Marlborough Street
DRUMMOYNE NSW 2047

Contact: Renee Meimaroglou
Phone no: 02 9275 7100
Our ref: D1726410/1707

16 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
City of Canada Bay Council**

I have audited the general purpose financial statements of the City of Canada Bay Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

This Report primarily highlights key financial results and performance ratios relating to the Council.

INCOME STATEMENT

Operating result

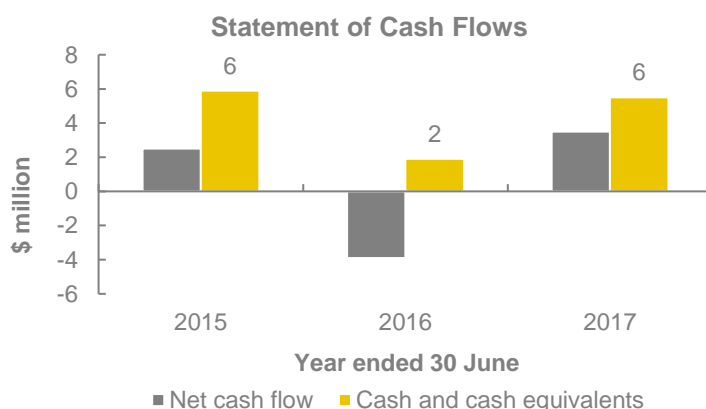
	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	50.3	49.6	1.4 ↑
Grants and contributions revenue	19.6	20.3	3.4 ↓
Operating result for the year	29.1	21.9	32.9 ↑
Net operating result before capital amounts	16.6	7.7	115.6 ↑

Council's improved operating result of \$29.1 million during 2016–17 (\$21.9 million in 2015–16) is mainly impacted by the following:

- 1.3 per cent growth in rates and annual charges revenue compared to the previous year
- a fair value increment of \$11.0 million recognised in 2016–17 relating to the valuation of Council's investment properties
- increase in user charges and fees by \$2.5 million
- grants and contributions revenue reduced by \$0.7 million (3.4 per cent) from prior year mainly due to a reduction in section 94 income and RMS contributions.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$4 million to \$6 million at the close of the year.
- The net cash inflow during the year of \$4 million (30 June 2016: \$4 million net cash outflow) is a result of reduced capital expenditure and improved returns from investment securities.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	50.1	55.1	● Decrease in the external restrictions is a result of a reduction in section 94 contributions received during the year.
Internal restrictions	31.4	27.3	
Unrestricted	9.2	5.5	● Overall increase in cash and investments.
Cash and investments	90.7	87.9	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions and specific purpose grants, unexpended loans and domestic waste charges.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$31.4 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$9.2 million, which is available to provide liquidity for day to day operations.

Debt

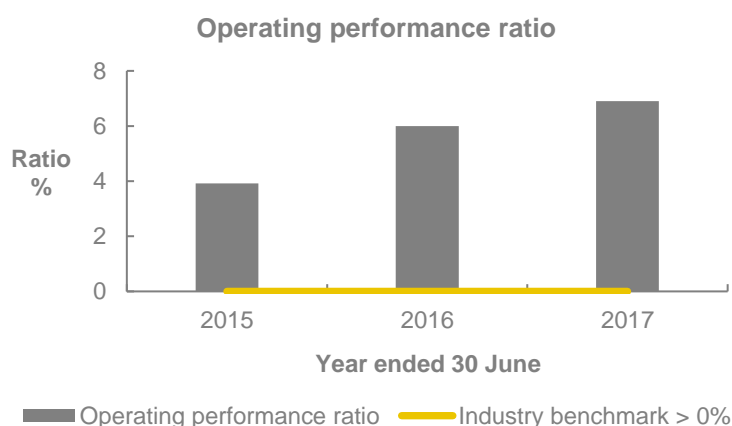
After repaying principal and interest of \$0.7 million during the financial year, total debt as at 30 June 2017 is \$3.6 million (2016: \$4.1 million).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

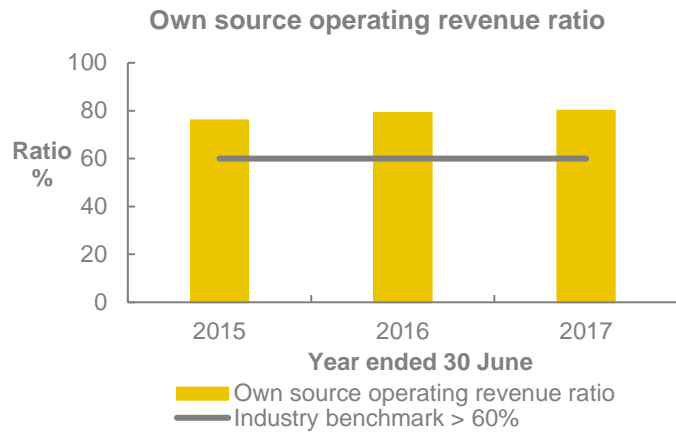
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Council's operating performance indicator of 7.0 per cent (6.0 per cent in 2016) exceeded the benchmark. The increase from prior year is partly due to the advance payment of the 2017–18 Financial Assistance Grant (\$1.2 million).

Own source operating revenue ratio

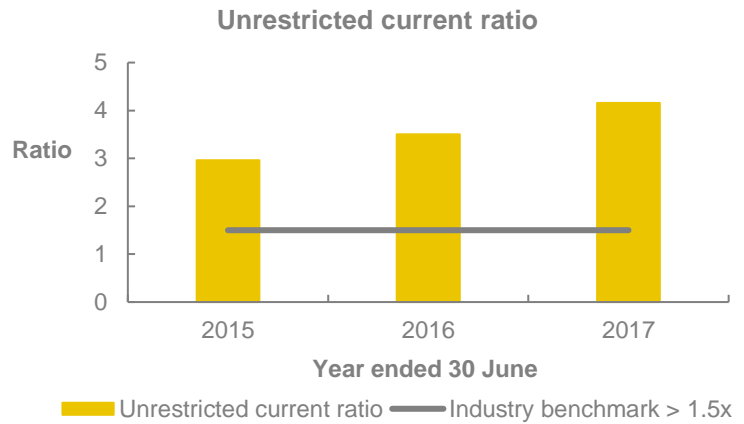
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio was 80 per cent in 2016–17 (79 per cent in 2016), exceeding the benchmark of 60 per cent.

Unrestricted current ratio

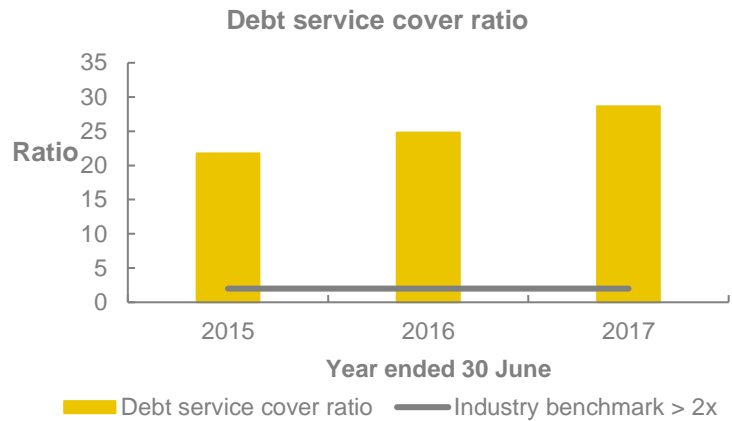
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio increased to 4.2 as at 30 June 2017 (3.5 in 2016) and exceeded the benchmark of 1.5 times.

Debt service cover ratio

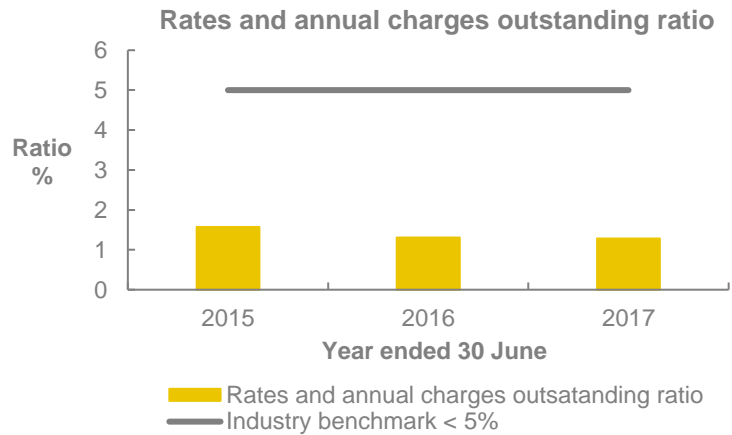
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2017 is 28.6 (24.8 in 2016). This improvement is mainly due to Council's improved operating result before capital grants and contributions.

Rates and annual charges outstanding ratio

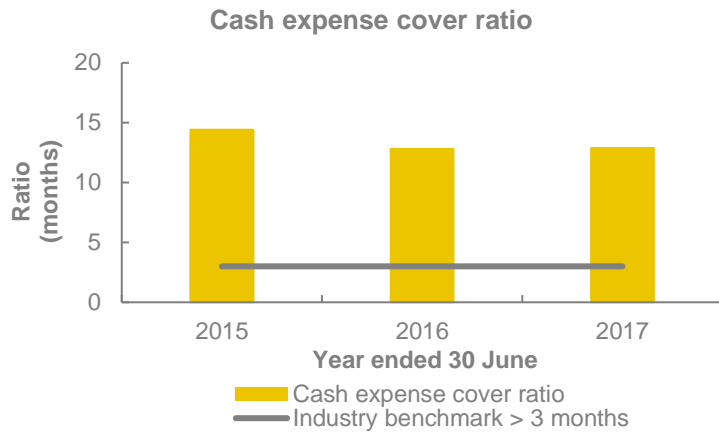
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



The rates and annual charges outstanding ratio stood at 1.28 per cent as at 30 June 2017 (1.31 per cent in 2016) and continues to better the industry benchmark of being below 5 per cent. Management attribute this result to actively pursuing the recovery of outstanding amounts.

Cash expense cover ratio

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

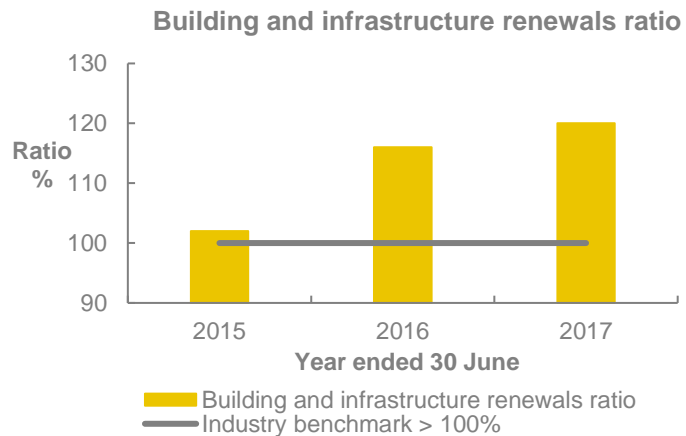


Council's cash expense cover ratio was over twelve months and continues to easily exceed the benchmark of three months.

Infrastructure renewals ratio

The 'infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 120 per cent (116 per cent in 2016) of the depreciation charges for those assets; exceeding the benchmark of 100 per cent.

OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015–6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments.

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 reports. The Council's:

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



Renee Meimaroglou
Director, Financial Audit Services

16 October 2017
SYDNEY

cc: Mr Gary Sawyer, General Manager
Mr Gary Mottau, Chair of the Audit and Risk Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

City of Canada Bay

SPECIAL SCHEDULES
for the year ended 30 June 2017

“To create a City that is innovative, dynamic
and sustainable through active partnership
with the community and the environment”



City of Canada Bay

Special Schedules

for the year ended 30 June 2017

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	5
Special Schedule 8	Permissible Income Calculation	10

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

City of Canada Bay

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	813	45	–	(768)
Administration	7,919	15,173	10,125	17,379
Public order and safety				
Fire service levy, fire protection, emergency services	1,588	25	–	(1,563)
Beach control	–	–	–	–
Enforcement of local government regulations	2,587	5,303	–	2,716
Animal control	–	17	–	17
Other	12	–	–	(12)
Total public order and safety	4,187	5,345	–	1,158
Health	526	226	–	(300)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	2,753	169	–	(2,584)
Solid waste management	11,250	15,339	–	4,089
Street cleaning	2,437	–	–	(2,437)
Drainage	2,116	401	–	(1,715)
Stormwater management	175	721	–	546
Total environment	18,731	16,630	–	(2,101)
Community services and education				
Administration and education	1,184	71	–	(1,113)
Social protection (welfare)	230	91	–	(139)
Aged persons and disabled	86	39	–	(47)
Children's services	3,993	2,794	–	(1,199)
Total community services and education	5,493	2,995	–	(2,498)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	674	–	–	(674)
Street lighting	1,683	160	–	(1,523)
Town planning	3,894	1,181	–	(2,713)
Other community amenities	469	728	–	259
Total housing and community amenities	6,720	2,069	–	(4,651)
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

City of Canada Bay

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	4,818	314	–	(4,504)
Museums	16	–	–	(16)
Art galleries	–	–	–	–
Community centres and halls	2,049	576	–	(1,473)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	1,208	127	–	(1,081)
Sporting grounds and venues	7,036	4,131	1,177	(1,728)
Swimming pools	1,130	46	–	(1,084)
Parks and gardens (lakes)	2,827	382	15	(2,430)
Other sport and recreation	4,205	1,677	23	(2,505)
Total recreation and culture	23,289	7,253	1,215	(14,821)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,215	562	–	(653)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	1,215	562	–	(653)
Transport and communication				
Urban roads (UR) – local	5,158	3,571	1,157	(430)
Urban roads – regional	478	–	–	(478)
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	28	–	–	(28)
Parking areas	212	714	–	502
Footpaths	2,784	386	–	(2,398)
Aerodromes	–	–	–	–
Other transport and communication	1,597	67	–	(1,530)
Total transport and communication	10,257	4,738	1,157	(4,362)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	1,349	120	–	(1,229)
Total economic affairs	1,349	120	–	(1,229)
Totals – functions	80,499	55,156	12,497	(12,846)
General purpose revenues ⁽¹⁾		41,969		41,969
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	80,499	97,125	12,497	29,123

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

City of Canada Bay

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	438	3,629	4,067	–	438	–	–	222	462	3,167	3,629
Other	–	–	–							–	–
Total loans	438	3,629	4,067	–	438	–	–	222	462	3,167	3,629
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	438	3,629	4,067	–	438	–	–	222	462	3,167	3,629

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–	–	450	345	6,117	16,675	8%	12%	80%	0%	0%
	Childcare Centres	–	–	68	148	3,639	8,585	3%	66%	31%	0%	0%
	Community Centres	–	–	451	549	32,638	45,366	69%	16%	16%	0%	0%
	Leased/Commercial	–	–	98	85	23,506	29,440	71%	24%	6%	0%	0%
	Operational	–	–	557	160	3,143	8,399	3%	4%	93%		0%
	Parks	134	134	1,341	951	14,916	33,466	24%	27%	48%	2%	0%
	Public Toilets	14	14	281	433	4,675	5,943	59%	2%	38%	1%	0%
	Leisure Centre	–	–	8	27	4,396	8,351	0%	100%	0%	0%	0%
	Sub-total	148	148	3,254	2,698	93,030	156,225	41.9%	25.3%	32.5%	0.4%	0.0%
Other structures	Marine - Structures	404	404	47	12	1,826	3,297	17%	44%	15%	0%	25%
	Marine - Sea Walls	9,307	9,307	78	67	16,219	97,129	32%	8%	27%	29%	5%
	Parks - Civil/Landscaping	179	179	1,713	1,805	8,718	13,420	57%	20%	18%	5%	0%
	Parks - Furniture / Monuments etc	116	116	82	–	6,496	10,518	64%	21%	12%	2%	1%
	Parks - Playgrounds	1	1	–	–	82	186	56%	11%	32%	2%	0%
	Parks - Playing Courts	8	8	231	136	2,406	3,256	90%	5%	4%	1%	0%
	Parks - Playing Fields etc	3	3	2,599	2,174	9,479	11,116	93%	5%	2%	0%	0%
	Other	–	–	–	–	17	30	0%	0%	100%	0%	0%
	Sub-total	10,018	10,018	4,750	4,194	45,243	138,952	42.4%	10.9%	21.9%	20.8%	4.0%

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Sealed Roads Surface	–	–	1,604	1,591	55,153	70,659	62%	31%	6%	0%	0%
	Road Pavement	26	26	–	–	147,613	161,293	63%	30%	7%	0%	0%
	Bridges	13	13	–	–	4,517	5,960	23%	62%	14%	1%	0%
	Footpaths/Cycleways	1,650	1,650	2,105	1,768	47,837	65,429	11%	14%	67%	7%	2%
	Kerb and Gutter	1,052	1,052	122	143	29,292	44,477	7%	25%	60%	8%	1%
	Roadside Assets	–	–	796	907	3,273	3,611	88%	3%	4%	4%	2%
	Road Structures	12	12	172	12	1,239	1,951	76%	5%	17%	2%	0%
	Traffic Facilities	107	107	787	599	7,635	10,128	14%	64%	18%	3%	1%
	Other	–	–	48	5	–	–	0%	0%	0%	0%	0%
	Sub-total	2,860	2,860	5,634	5,025	296,559	363,508	44.8%	27.9%	24.4%	2.5%	0.4%
Stormwater drainage	Drainage Reticulation	5,348	5,348	381	449	70,742	129,213	5%	22%	60%	11%	3%
	Environmental Quality Device	–	–	–	–	3,200	3,328	100%	0%	0%	0%	0%
	Sub-total	5,348	5,348	381	449	73,942	132,541	7.1%	21.1%	58.3%	10.9%	2.6%
Open space/recreational assets	Swimming pools	20	20	364	406	4,145	5,436	53%	5%	41%	1%	0%
	Sub-total	20	20	364	406	4,145	5,436	52.6%	5.1%	40.9%	1.4%	0.0%

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Land Improvements	Land Improvements	2	2	120	86	14,101	18,967	19%	2%	79%		0%
	Sub-total	2	2	120	86	14,101	18,967	19.0%	1.7%	79.3%	0.0%	0.0%
	TOTAL – ALL ASSETS	18,396	18,396	14,503	12,858	527,020	815,629	37.2%	22.6%	32.4%	6.5%	1.3%

Notes:

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

Infrastructure asset condition assessment 'key'

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

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>12,047</u>	119.54%	>= 100%	115.84%	101.57%
Depreciation, amortisation and impairment	<u>10,078</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>18,396</u>	3.49%	< 2%	3.58%	4.94%
Net carrying amount of infrastructure assets	<u>527,020</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>12,858</u>	0.89	> 1.00	0.96	1.07
Required asset maintenance	<u>14,503</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>18,396</u>	2.26%		0.00%	
Gross replacement cost	<u>815,629</u>				

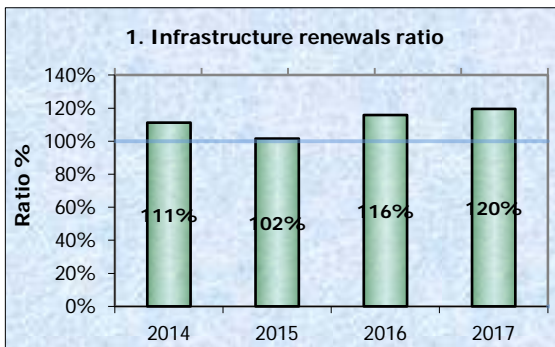
Notes

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

(1) 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.

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



Purpose of asset renewals ratio

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

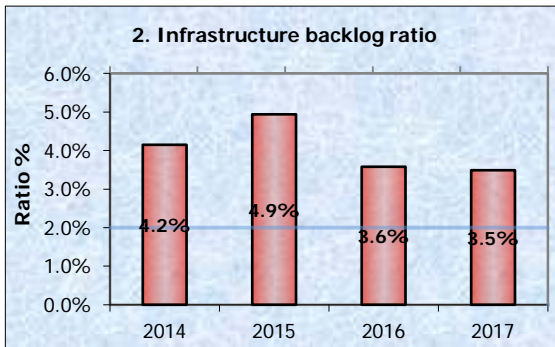
Commentary on 2016/17 result

2016/17 Ratio 119.54%

Council is continuing to renew its assets at levels in excess of benchmark

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

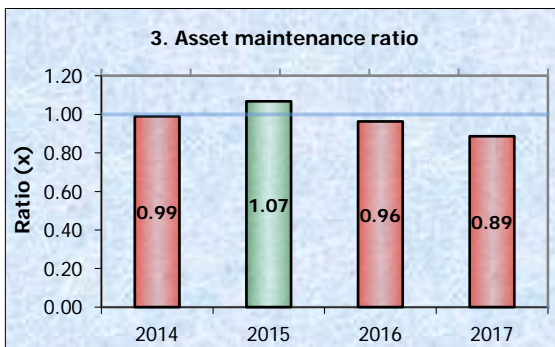
Commentary on 2016/17 result

2016/17 Ratio 3.49%

These results demonstrates the success of Council's strategy to invest in Asset renewals.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of 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.

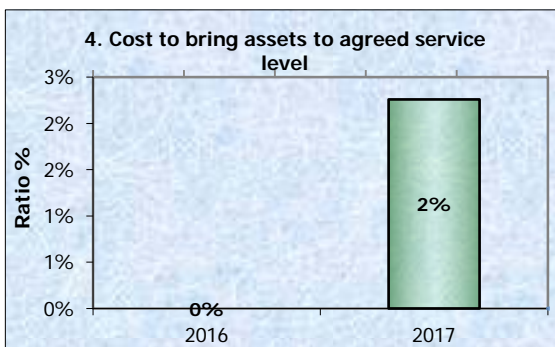
Commentary on 2016/17 result

2016/17 Ratio 0.89 x

Council's strategic asset management program is appropriately funding asset maintenance

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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 2016/17 result

2016/17 Ratio 2.26%

98% of Council's assets are to a satisfactory standard.

City of Canada Bay

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	35,630	36,600
Plus or minus adjustments ⁽²⁾	b	329	272
Notional general income	c = (a + b)	35,959	36,872
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	647	553
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	36,606	37,425
Plus (or minus) last year's carry forward total	l	5	11
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	5	11
Total permissible income	o = k + n	36,611	37,436
Less notional general income yield	p	36,600	37,426
Catch-up or (excess) result	q = o – p	11	10
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	(4)
Carry forward to next year	t = q + r – s	11	6

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) 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 Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

City of Canada Bay Council

To the Councillors of City of Canada Bay Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of City of Canada Bay Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of City of Canada Bay Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

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 Special Schedule No. 8' section of my report.

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

- Australian Auditing Standards
- ethical requirements of the 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 notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No. 8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 20 September 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No. 8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No. 8.

A description of my responsibilities for the audit of Special Schedule No. 8 is located at the Auditing and Assurance Standards Board website at 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 Special Schedule No. 8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No. 8.



Renee Meimaroglou
Director, Financial Audit Services

17 October 2017
SYDNEY