

City of Canada Bay

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“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 2016

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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 Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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 dd/mm/yy.
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 2016

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 2016.

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

This 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). 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 15/16 financial year can be found at Note 28 of the financial statements.

City of Canada Bay

General Purpose Financial Statements for the year ended 30 June 2016

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 06 September 2016.



Cr. Helen McCaffrey
Mayor



Cr. Tony Fasanella
Deputy Mayor



Mr. Bruce Cook
Acting General Manager



Mr. Bruce Cook
Responsible Accounting Officer

City of Canada Bay

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
<i>Revenue:</i>				
48,967	Rates and annual charges	3a	49,627	47,525
12,569	User charges and fees	3b	13,709	13,263
2,279	Interest and investment revenue	3c	3,954	2,925
7,539	Other revenues	3d	8,249	12,481
4,211	Grants and contributions provided for operating purposes	3e,f	6,034	4,937
6,271	Grants and contributions provided for capital purposes	3e,f	14,220	18,111
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	2,776	728
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
81,836	Total income from continuing operations		98,569	99,970
Expenses from continuing operations				
31,748	Employee benefits and on-costs	4a	30,673	28,545
248	Borrowing costs	4b	248	270
21,872	Materials and contracts	4c	20,648	20,900
10,421	Depreciation and amortisation	4d	11,203	11,088
–	Impairment	4d	–	–
12,810	Other expenses	4e	13,895	12,955
77,099	Total expenses from continuing operations		76,667	73,758
4,737	Operating result from continuing operations		21,902	26,212
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
4,737	Net operating result for the year		21,902	26,212
4,737	Net operating result attributable to Council		21,902	26,212
–	Net operating result attributable to non-controlling interests		–	–
(1,534)	Net operating result for the year before grants and contributions provided for capital purposes		7,682	8,101

¹ Original budget as approved by Council – refer Note 16

City of Canada Bay

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		21,902	26,212
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(1,064)	31,502
Total items which will not be reclassified subsequently to the operating result		(1,064)	31,502
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income / (loss) for the year		(1,064)	31,502
Total comprehensive income for the year		20,838	57,714
Total comprehensive income attributable to Council		20,838	57,714
Total comprehensive income attributable to non-controlling interests		–	–

City of Canada Bay

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,924	5,922
Investments	6b	81,061	77,832
Receivables	7	6,869	7,398
Inventories	8	25	56
Other	8	303	–
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		90,182	91,208
Non-current assets			
Investments	6b	5,000	3,000
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	3,580,620	3,559,767
Investments accounted for using the equity method	19	–	–
Investment property	14	26,114	25,435
Intangible assets	25	2,142	2,317
Total non-current assets		3,613,876	3,590,519
TOTAL ASSETS		3,704,058	3,681,727
LIABILITIES			
Current liabilities			
Payables	10	16,824	15,225
Borrowings	10	438	412
Provisions	10	8,841	8,664
Total current liabilities		26,103	24,301
Non-current liabilities			
Payables	10	–	–
Borrowings	10	3,629	4,067
Provisions	10	391	262
Total non-current liabilities		4,020	4,329
TOTAL LIABILITIES		30,123	28,630
Net assets		3,673,935	3,653,097
EQUITY			
Retained earnings	20	2,052,653	2,030,751
Revaluation reserves	20	1,621,282	1,622,346
Council equity interest		3,673,935	3,653,097
Non-controlling equity interests		–	–
Total equity		3,673,935	3,653,097

City of Canada Bay

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		2,030,751	1,622,346	3,653,097	–	3,653,097
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		2,030,751	1,622,346	3,653,097	–	3,653,097
c. Net operating result for the year		21,902	–	21,902	–	21,902
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(1,064)	(1,064)	–	(1,064)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	(1,064)	(1,064)	–	(1,064)
Total comprehensive income (c&d)		21,902	(1,064)	20,838	–	20,838
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		2,052,653	1,621,282	3,673,935	–	3,673,935

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		1,960,189	1,590,844	3,551,033	–	3,551,033
a. Correction of prior period errors	20 (c)	44,350	–	44,350	–	44,350
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		2,004,539	1,590,844	3,595,383	–	3,595,383
c. Net operating result for the year		26,212	–	26,212	–	26,212
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	31,502	31,502	–	31,502
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	31,502	31,502	–	31,502
Total comprehensive income (c&d)		26,212	31,502	57,714	–	57,714
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		2,030,751	1,622,346	3,653,097	–	3,653,097

This statement should be read in conjunction with the accompanying notes.

City of Canada Bay

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
48,935	Rates and annual charges		49,742	47,803
12,573	User charges and fees		15,322	13,186
2,343	Investment and interest revenue received		4,232	2,843
11,086	Grants and contributions		18,809	23,067
–	Bonds, deposits and retention amounts received		7,524	5,494
7,701	Other		13,746	9,220
Payments:				
(30,274)	Employee benefits and on-costs		(30,417)	(28,035)
(22,053)	Materials and contracts		(22,129)	(24,461)
(248)	Borrowing costs		(248)	(270)
–	Bonds, deposits and retention amounts refunded		(5,804)	(4,794)
(12,810)	Other		(18,531)	(12,498)
17,253	Net cash provided (or used in) operating activities	11b	32,246	31,555
Cash flows from investing activities				
Receipts:				
76,839	Sale of investment securities		77,832	64,471
–	Sale of investment property		773	–
1,260	Sale of infrastructure, property, plant and equipment		4,441	2,863
Payments:				
(70,000)	Purchase of investment securities		(83,061)	(78,332)
–	Purchase of investment property		(1,154)	–
(24,290)	Purchase of infrastructure, property, plant and equipment		(34,663)	(17,668)
(465)	Other investing activity payments		–	–
(16,656)	Net cash provided (or used in) investing activities		(35,832)	(28,666)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(412)	Repayment of borrowings and advances		(412)	(390)
(412)	Net cash flow provided (used in) financing activities		(412)	(390)
185	Net increase/(decrease) in cash and cash equivalents		(3,998)	2,499
501	Plus: cash and cash equivalents – beginning of year	11a	5,922	3,423
686	Cash and cash equivalents – end of the year	11a	1,924	5,922
Additional Information:				
	plus: Investments on hand – end of year	6b	86,061	80,832
	Total cash, cash equivalents and investments		87,985	86,754

Please refer to Note 11 for additional cash flow information

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

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Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

There were no accounting standards that became mandatory this year which materially impacted on Council's financial statements.

(iv) Early adoption of Accounting Standards

Council has elected to apply amendments to AASB 2015-7 Amendments to Australian Accounting Standards for Fair Value Disclosures of Not-for-Profit Entities in the preparation of these financial statements. This standard will apply to annual reporting periods beginning on or after 1 July 2016.

Refer further to paragraph (z) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(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 it and specific criteria have been met for each of the Council's activities as described below.

Council bases any 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:

Rates, Annual Charges, Grants and Contributions

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

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.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted 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.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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 balance date, the

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

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.

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

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

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

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2016) and **(ii)** all the related operating results (for the financial year ended the 30th June 2016).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

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

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

(ii) The Trust Fund

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

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

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

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

(iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

(iv) County Councils

Council is not a member of any County Councils.

(v) Additional Information

Note 19 provides more information in relation to Joint Ventures, Associated Entities and Joint Venture operations where applicable.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed 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.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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 is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and 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 include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(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 arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

Investments must be 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.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

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

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as "**available-for-sale**" are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date 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.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. 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 group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise 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 arising from the Cole Inquiry recommendations.

(g) Fair value estimation

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 balance sheet 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 balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are 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.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

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 the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Operational Land** (External Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(External Valuation)
- **Stormwater Drainage**
(External Valuation)
- **Swimming Pools**
(External Valuation)
- **Other Open Space/Recreational Assets**
(Internal Valuation)
- **Other Infrastructure**
(Internal Valuation)
- **Other Assets**
(as approximated by depreciated historical cost)
- **Investment Properties** – refer Note 1(p),

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's 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 asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant & Equipment

Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$10,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$10,000
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Stormwater Assets

Drains & Culverts	> \$10,000
Other	> \$10,000

Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs	> \$10,000

Bridge construction & reconstruction	> \$10,000
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Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	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, Channels, GPTs, Pits	80 to 100 years
- Culverts	80 to 100 years
- Pipe	80 to 100 years

Transportation Assets

- Sealed Roads: Surface	30 to 100 years
- Sealed Roads: Road Base	80 to 100 years
- Unsealed roads	20 years
- Bridge: Concrete	100 years
- Bridge: Other	50-80 years
- Kerb, Gutter & Paths	100 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net

disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) 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.

(m) 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.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

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

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

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with an appropriate annual valuation movement also provided by the Valuer. The utilisation of the annual market movements for like properties ensures that the financial statements reflect the most up to date valuations.

(p) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be

recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(q) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(r) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(t) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

(u) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

(v) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(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.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, 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 fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which 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 can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20th February 2013 and covers the period ended 30 June 2013.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016 was \$439,207.

The amount of additional contributions included in the total employer contribution advised above is \$212,573.

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 these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits,

and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/16.

(w) Self insurance

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

(x) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

(y) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(z) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

City of Canada Bay

Notes to the Financial Statements

for the financial year ended 30 June 2016

Note 1. Summary of Significant Accounting Policies

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

Not applicable to Local Government per se;

None

(aa) Rounding of amounts

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

(ab) Comparative Figures

To ensure comparability with the current reporting period's 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.

(ac) 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 2016

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	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	78	27	1,030	1,008	920	(1,030)	(930)	(893)	33	28	14,594	6,832
Administration	7,204	18,300	25,300	6,255	6,063	6,679	949	12,237	18,621	109	118	141,243	137,049
Public order and safety	4,409	4,752	4,519	4,809	4,716	3,782	(400)	36	737	–	–	620	610
Health	181	194	170	481	508	480	(300)	(314)	(310)	–	–	153	88
Environment	15,119	16,280	15,602	19,479	19,205	18,708	(4,360)	(2,925)	(3,106)	386	712	95,981	97,723
Community services and education	2,688	2,860	2,200	5,286	5,234	4,381	(2,598)	(2,374)	(2,181)	160	251	7,960	6,936
Housing and community amenities	1,888	2,192	2,036	6,475	6,362	6,368	(4,587)	(4,170)	(4,332)	437	429	90,164	84,475
Recreation and culture	6,263	7,147	6,252	20,719	20,876	20,196	(14,456)	(13,729)	(13,944)	532	294	2,091,206	2,087,886
Mining, manufacturing and construction	554	527	409	1,284	1,283	1,164	(730)	(756)	(755)	–	–	308	491
Transport and communication	2,785	4,855	4,364	9,500	9,508	9,681	(6,715)	(4,653)	(5,317)	1,292	226	1,261,487	1,259,416
Economic affairs	267	340	467	1,781	1,904	1,399	(1,514)	(1,564)	(932)	–	–	342	221
Total functions and activities	41,358	57,525	61,346	77,099	76,667	73,758	(35,741)	(19,142)	(12,412)	2,949	2,058	3,704,058	3,681,727
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	40,478	41,044	38,624	–	–	–	40,478	41,044	38,624	2,779	2,797	–	–
Operating result from continuing operations	81,836	98,569	99,970	77,099	76,667	73,758	4,737	21,902	26,212	5,728	4,855	3,704,058	3,681,727

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 2016

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

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

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER AND SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES AND EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING AND COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

RECREATION AND CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT AND COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		30,228	29,295
Business		4,882	4,625
Total ordinary rates		35,110	33,920
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		13,791	12,880
Stormwater management services		726	725
Total annual charges		14,517	13,605
TOTAL RATES AND ANNUAL CHARGES		49,627	47,525

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		554	531
Total user charges		554	531
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		326	273
Planning and building regulation		1,045	834
Private works – section 67		422	395
Registration fees		32	36
Section 149 certificates (EPA Act)		272	250
Section 603 certificates		142	154
Section 611 charges		79	62
Total fees and charges – statutory/regulatory		2,318	2,004
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Admission and service fees		1,305	1,435
Aged care		18	64
Child care		2,605	1,791
Golf course fees		1,446	1,428
Halls and meeting rooms		367	300
Leaseback fees – Council vehicles		334	322
Leisure centre		2,860	2,652
Library		18	17
Park rents		287	319
Parking fees		749	673
Restoration charges		841	1,718
Other		7	9
Total fees and charges – other		10,837	10,728
TOTAL USER CHARGES AND FEES		13,709	13,263

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		82	102
– Interest earned on investments (interest and coupon payment income)		2,794	2,823
– Interest (other)		6	–
Dividend income		1,072	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>3,954</u>	<u>2,925</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		82	102
General Council cash and investments		3,073	1,805
Restricted investments/funds – external:			
Development contributions			
– Section 94		334	491
– Voluntary planning agreements		465	527
<u>Total interest and investment revenue recognised</u>		<u>3,954</u>	<u>2,925</u>
(d) Other revenues			
Fair value increments – investment properties	14	–	4,367
Rental income – investment properties	14	242	237
Rental income – other council properties		2,177	1,989
Fines – building compliance		96	59
Fines – parking		3,830	3,687
Fines – other		17	4
Legal fees recovery – rates and charges (extra charges)		92	101
Legal fees recovery – other		2	20
Commissions and agency fees		5	5
Diesel rebate		17	14
Insurance claim recoveries		–	8
North Strathfield rail underpass project		95	400
Rental income – affordable housing		295	246
Sale of abandoned vehicles		32	30
Sales – general		313	425
Sponsorships		97	84
Waste management performance bonus		207	207
Rental income - Footpath Dining		450	451
Other		282	147
<u>TOTAL OTHER REVENUE</u>		<u>8,249</u>	<u>12,481</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	1,774	1,755	–	–
Financial assistance – local roads component	597	597	–	–
Pensioners' rates subsidies – general component	392	400	–	–
Other grants	16	45	–	–
Total general purpose	2,779	2,797	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	152	158	–	–
Community care	439	522	10	–
Employment and training programs	27	–	–	–
Environmental projects	136	135	50	373
Environmental protection	–	1	–	18
Heritage and cultural	27	40	–	–
Library	237	237	–	–
LIRS subsidy	90	98	–	–
Recreation and culture	–	18	130	74
Sport and recreation	–	–	200	144
Street lighting	158	158	–	–
Traffic route subsidy	27	30	–	–
Transport (roads to recovery)	1,200	–	–	–
Transport (road safety funding)	66	52	–	–
Total specific purpose	2,559	1,449	390	609
Total grants	5,338	4,246	390	609
Grant revenue is attributable to:				
– Commonwealth funding	3,812	2,762	50	215
– State funding	1,469	1,365	258	357
– Other funding	57	119	82	37
	5,338	4,246	390	609

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	1,650	7,767
S 94 – contributions towards amenities/services	–	–	9,675	7,936
Total developer contributions 17	–	–	11,325	15,703
Other contributions:				
Development assessment contributions	–	51	–	–
Environmental contributions	166	78	–	–
Insurance incentive scheme contribution	129	125	–	–
Other councils – joint works/services	10	–	–	–
Recreation and culture	–	–	1,025	455
RMS contributions (regional roads, block grant)	346	352	1,480	1,344
Other	45	85	–	–
Total other contributions	696	691	2,505	1,799
Total contributions	696	691	13,830	17,502
TOTAL GRANTS AND CONTRIBUTIONS	6,034	4,937	14,220	18,111

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to 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	45,850	33,241
Add: grants and contributions recognised in the current period but not yet spent:	12,420	17,645
Less: grants and contributions recognised in a previous reporting period now spent:	(18,552)	(5,036)
Net increase (decrease) in restricted assets during the period	(6,132)	12,609
Unexpended and held as restricted assets	39,718	45,850
Comprising:		
– Specific purpose unexpended grants	734	1,658
– Developer contributions	38,984	44,192
	39,718	45,850

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		23,856	22,354
Travel expenses		21	27
Employee leave entitlements (ELE)		2,737	2,552
Superannuation – defined benefit plans		439	490
Superannuation – guarantee levy		2,296	1,987
Workers' compensation insurance		597	537
Fringe benefit tax (FBT)		214	215
Training costs (other than salaries and wages)		222	148
Protective clothing		72	57
Maternity leave		133	14
Other		86	164
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>30,673</u>	<u>28,545</u>
Number of 'full-time equivalent' employees (FTE) at year end		324	316
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		248	270
Total interest bearing liability costs expensed		<u>248</u>	<u>270</u>
(ii) Other borrowing costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>248</u>	<u>270</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		2,035	1,775
Contractor and consultancy costs			
– Cleaning		470	438
– Contractor and consultancy costs		78	45
– Golf course management		188	205
– Information technology		195	330
– Rate payment agencies		102	110
– Swimming pool management		286	156
– Waste management		7,185	7,460
– Other contractor and consultancy costs		8,670	8,937
Auditors remuneration ⁽¹⁾		48	46
Infringement notice contract costs (SEINS)		393	415
Legal expenses:			
– Legal expenses: planning and development		136	103
– Legal expenses: debt recovery		94	99
– Legal expenses: other		324	397
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		386	336
Other		58	48
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>20,648</u>	<u>20,900</u>
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		48	46
Remuneration for audit and other assurance services		<u>48</u>	<u>46</u>
Total Auditor remuneration		<u>48</u>	<u>46</u>
2. Operating lease payments are attributable to:			
Computers		350	311
Other		36	25
		<u>386</u>	<u>336</u>

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	786	754
Office equipment		–	–	26	27
Furniture and fittings		–	–	71	70
Land improvements (depreciable)		–	–	570	737
Infrastructure:					
– Buildings – non-specialised		–	–	1,699	1,692
– Buildings – specialised		–	–	91	62
– Other structures		–	–	1,351	1,217
– Roads		–	–	3,268	3,263
– Bridges		–	–	49	48
– Footpaths		–	–	667	650
– Stormwater drainage		–	–	1,494	1,514
– Swimming pools		–	–	83	65
Other assets					
– Heritage collections		–	–	1	–
– Library books		–	–	328	289
– Other		–	–	105	107
Intangible assets	25	–	–	614	593
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		–	–	11,203	11,088

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		287	260
Agency personnel		1,243	1,044
Bank charges		83	72
Child care – parent fees		–	127
Computer software charges		769	823
Contributions/levies to other levels of government			
– Department of Planning levy		160	156
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		137	117
– NSW Fire Brigade levy		1,368	1,328
– Waste levy		2,832	2,396
Councillor expenses – mayoral fee		38	38
Councillor expenses – councillors' fees		164	162
Councillors' expenses (incl. mayor) – other (excluding fees above)		5	7
Donations, contributions and assistance to other organisations (Section 356)			
– Meals on Wheels volunteers		–	3
– Donations, contributions and assistance		601	399
Electricity and heating		865	673
Fair value decrements – investment properties	14	25	–
Fuel and oil		382	442
Insurance – excess		132	101
Insurance – premiums		1,118	1,162
Motor vehicle registrations		98	95
Postage		141	124
Printing and stationery		144	141
Strata levies		50	54
Street lighting		1,159	1,259
Subscriptions and publications		388	327
Telephone and communications		477	379
Valuation fees		110	110
Water		503	560
Other		616	596
<u>TOTAL OTHER EXPENSES</u>		<u>13,895</u>	<u>12,955</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		529	1,858
Less: carrying amount of property assets sold/written off		(109)	(689)
Net gain/(loss) on disposal		420	1,169
Plant and equipment			
Proceeds from disposal – plant and equipment		891	1,005
Less: carrying amount of plant and equipment assets sold/written off		(863)	(1,126)
Net gain/(loss) on disposal		28	(121)
Infrastructure			
Proceeds from disposal – infrastructure		3,021	–
Less: carrying amount of infrastructure assets sold/written off		(1,016)	(321)
Net gain/(loss) on disposal		2,005	(321)
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		77,832	64,471
Less: carrying amount of financial assets sold/redeemed/matured		(77,832)	(64,471)
Net gain/(loss) on disposal		–	–
Other			
Proceeds from disposal – Other		–	1
Net gain/(loss) on disposal		–	1
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>2,776</u>	<u>728</u>

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		344	–	759	–
Cash-equivalent assets ¹					
– Deposits at call		1,580	–	5,163	–
– NCD's, FRN's		–	–	–	–
Total cash and cash equivalents		1,924	–	5,922	–
Investments (Note 6b)					
– Long term deposits		81,061	–	76,332	2,000
– NCD's, FRN's (with maturities > 3 months)		–	5,000	1,500	1,000
Total investments		81,061	5,000	77,832	3,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		82,985	5,000	83,754	3,000

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

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		1,924	–	5,922	–
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Investments

b. 'Held to maturity'	6(b-ii)	81,061	5,000	77,832	3,000
Investments		81,061	5,000	77,832	3,000

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		77,832	3,000	64,471	2,500
Additions		79,061	4,000	77,832	500
Disposals (sales and redemptions)		(75,832)	(2,000)	(64,471)	–
Balance at end of year		81,061	5,000	77,832	3,000

Comprising:

– Long term deposits		81,061	–	78,332	–
– NCD's, FRN's (with maturities > 3 months)		–	5,000	1,500	1,000
– Other long term financial assets		–	–	(2,000)	2,000
Total		81,061	5,000	77,832	3,000

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	82,985	5,000	83,754	3,000
attributable to:				
External restrictions (refer below)	50,124	5,000	57,643	3,000
Internal restrictions (refer below)	27,320	–	15,624	–
Unrestricted	5,541	–	10,487	–
	82,985	5,000	83,754	3,000

2016 \$ '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)	3,492	–	(196)	3,296
External restrictions – included in liabilities	3,492	–	(196)	3,296

External restrictions – other

Developer contributions – general (D)	44,192	11,854	(17,062)	38,984
Specific purpose unexpended grants (F)	1,658	–	(924)	734
Domestic waste management (G)	10,600	2,993	(1,818)	11,775
Stormwater management (G)	642	726	(1,033)	335
Sustainability levy	59	–	(59)	–
External restrictions – other	57,151	15,573	(20,896)	51,828
Total external restrictions	60,643	15,573	(21,092)	55,124

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 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	693	71	–	764
Infrastructure replacement – parking	390	488	(294)	584
Employees leave entitlement	1,706	–	–	1,706
Carry over works	1,809	1,772	(1,198)	2,383
Deposits, retentions and bonds	950	10,157	–	11,107
Affordable housing	1,775	813	(1,211)	1,377
Building reserve	427	99	(2)	524
Concord library and childcare centre	778	151	(43)	886
Concord oval	86	–	–	86
Drummoyne oval lights reserve	223	–	–	223
Energy efficiency reserve	59	30	–	89
Election of councillors	255	45	–	300
Financial sustainability	2,612	2,532	(2,151)	2,993
Five dock leisure centre	607	325	(394)	538
Investment fund	1,648	769	(299)	2,118
Massey park golf course	62	7	(83)	(14)
North Strathfield rail underpass	1,000	95	–	1,095
Risk management reserve	292	185	(237)	240
Strathfield triangle reserve	(228)	220	(376)	(384)
Victoria avenue childcare	48	130	(45)	133
Workers compensation	432	–	–	432
Water for the Community	–	140	–	140
Total internal restrictions	15,624	18,029	(6,333)	27,320
TOTAL RESTRICTIONS	76,267	33,602	(27,425)	82,444

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		576	–	691	–
Interest and extra charges		86	–	73	–
User charges and fees		81	–	41	–
Private works		27	–	4	–
Accrued revenues					
– Interest on investments		654	–	945	–
Employee advances		41	–	46	–
General debtors		1,295	–	1,744	–
Government grants and subsidies		2,210	–	1,035	–
Infringements		845	–	735	–
Loans to non-profit organisations		22	–	38	–
Net GST receivable		637	–	489	–
Property leases		260	–	291	–
Road restorations		200	–	1,331	–
Other debtors		1	–	1	–
Total		6,935	–	7,464	–
Less: provision for impairment					
Other debtors		(66)	–	(66)	–
Total provision for impairment – receivables		(66)	–	(66)	–
<u>TOTAL NET RECEIVABLES</u>		<u>6,869</u>	<u>–</u>	<u>7,398</u>	<u>–</u>
Externally restricted receivables					
Domestic waste management		196	–	240	–
Stormwater management		10	–	19	–
– Grants		316	–	–	–
Total external restrictions		522	–	259	–
Internally restricted receivables					
– Affordable housing *		336	–	318	–
Internally restricted receivables		336	–	318	–
Unrestricted receivables		6,011	–	6,821	–
<u>TOTAL NET RECEIVABLES</u>		<u>6,869</u>	<u>–</u>	<u>7,398</u>	<u>–</u>

*Comprising of \$262K (\$256K) in Government Grants and subsidies and \$74K (\$62K) disclosed in General Debtors (2015).

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 8.50% (2015 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 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		25	–	56	–
Total inventories at cost		25	–	56	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		25	–	56	–
(b) Other assets					
Prepayments		303	–	–	–
TOTAL OTHER ASSETS		303	–	–	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures**(a) 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 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period									as at 30/6/2016					
	At	At	Accumulated	Impairment	Carrying	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements to P&L	Trfs from/(to) investment properties	Revaluation increments to equity (ARR)	At	At	Accumulated	Impairment	Carrying	
	cost	fair value	depreciation		value										cost	fair value	depreciation	impairment	value	
Capital work in progress	20,725	–	–	–	20,725	3,581	14,670	–	–	(13,441)	–	–	(150)	(1,117)	–	24,268	–	–	–	24,268
Plant and equipment	–	7,086	3,055	–	4,031	–	1,698	(863)	(786)	–	–	–	–	–	–	–	7,419	3,339	–	4,080
Office equipment	–	1,216	1,062	–	154	–	–	–	(26)	–	–	–	–	–	–	–	1,215	1,087	–	128
Furniture and fittings	–	1,201	862	–	339	–	9	–	(71)	11	–	–	–	–	–	–	1,221	933	–	288
Land:																				
– Operational land	–	62,199	–	–	62,199	–	–	–	–	–	–	–	–	–	–	–	62,199	–	–	62,199
– Community land	–	2,035,367	–	–	2,035,367	–	–	–	–	–	–	–	–	–	–	–	2,035,367	–	–	2,035,367
– Land under roads (pre 1/7/08)	–	942,866	–	–	942,866	–	–	–	–	–	–	–	–	–	–	–	942,866	–	–	942,866
– Land under roads (post 30/6/08)	–	16,009	–	–	16,009	–	–	–	–	–	–	–	–	–	–	–	16,009	–	–	16,009
Land improvements – depreciable	–	18,673	4,724	–	13,949	39	–	–	(570)	837	(3,301)	–	–	–	–	–	15,286	4,332	–	10,954
Infrastructure:																				
– Buildings – non-specialised	–	113,008	52,729	–	60,279	852	4,995	(109)	(1,699)	1,777	–	–	–	–	–	–	120,214	54,119	–	66,095
– Buildings – specialised	–	10,485	7,056	–	3,429	11	–	–	(91)	–	–	–	–	–	–	–	10,495	7,146	–	3,349
– Other structures	–	130,376	90,176	–	40,200	349	3,393	(758)	(1,351)	595	3,212	–	–	–	–	–	137,891	92,251	–	45,640
– Roads	–	273,211	40,564	–	232,647	3,152	177	–	(3,268)	5,718	275	–	(1,064)	–	–	–	281,570	43,933	–	237,637
– Bridges	–	4,623	1,290	–	3,333	504	–	–	(49)	724	66	–	–	–	–	–	5,960	1,382	–	4,578
– Footpaths	–	60,959	16,051	–	44,908	750	–	–	(667)	1,210	23	–	–	–	–	–	62,944	16,720	–	46,224
– Stormwater drainage	–	129,639	55,820	–	73,819	733	–	(258)	(1,494)	1,726	–	–	–	–	–	–	131,653	57,127	–	74,526
– Swimming pools	–	4,890	1,121	–	3,769	225	–	–	(83)	137	–	–	–	–	–	–	5,252	1,204	–	4,048
Other assets:																				
– Public Art	–	9	–	–	9	–	165	–	(1)	334	–	–	–	–	–	–	508	1	–	507
– Library books	–	3,203	2,539	–	664	–	393	–	(328)	371	–	–	–	–	–	–	3,968	2,868	–	1,100
– Other	–	2,012	941	–	1,071	–	66	–	(105)	–	(275)	–	–	–	–	–	1,646	889	–	757
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	20,725	3,817,032	277,990	–	3,559,767	10,196	25,566	(1,988)	(10,589)	–	–	(150)	(1,117)	(1,064)	24,268	3,843,683	287,331	–	–	3,580,620

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

Reclassification of assets occurred, movements affecting balances at at 30/06/2015, include net movement of \$10K for Depreciable land, a net decrease in other structures of \$488K, and a net increase in Roads of \$478K

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 2016

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 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		755	–	310	–
Payments received in advance		1,270	–	344	–
Accrued expenses:					
– Other expenditure accruals		3,692	–	5,184	–
Security bonds, deposits and retentions		11,107	–	9,387	–
Total payables		16,824	–	15,225	–
Borrowings					
Loans – secured ¹		438	3,629	412	4,067
Total borrowings		438	3,629	412	4,067
Provisions					
Employee benefits:					
Annual leave		2,590	–	2,453	–
Sick leave		247	–	266	–
Long service leave		5,947	391	5,888	262
Sub-total – aggregate employee benefits		8,784	391	8,607	262
Self insurance – other		57	–	57	–
Total provisions		8,841	391	8,664	262
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		26,103	4,020	24,301	4,329
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		1,119	–	1,257	–
Liabilities relating to externally restricted assets		1,119	–	1,257	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		1,119	–	1,257	–
Total liabilities relating to unrestricted assets		24,984	4,020	23,044	4,329
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		26,103	4,020	24,301	4,329

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 2016

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

\$ '000	Actual 2016	Actual 2015
(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	5,930	5,800
Payables – security bonds, deposits and retentions	7,770	6,000
	13,700	11,800

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	2,453	1,930	(1,793)	–	–	2,590
Sick leave	266	7	(26)	–	–	247
Long service leave	6,150	774	(586)	–	–	6,338
Self insurance	57	–	–	–	–	57
TOTAL	8,926	2,711	(2,405)	–	–	9,232

- 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 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,924	5,922
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		1,924	5,922
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		21,902	26,212
Adjust for non-cash items:			
Depreciation and amortisation		11,203	11,088
Net losses/(gains) on disposal of assets		(2,776)	(728)
Non-cash capital grants and contributions		(270)	(367)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		25	(4,367)
– Other		0	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		529	(1,157)
Decrease/(increase) in inventories		31	(3)
Decrease/(increase) in other assets		(303)	369
Increase/(decrease) in payables		445	(3,558)
Increase/(decrease) in other accrued expenses payable		(1,492)	3,226
Increase/(decrease) in other liabilities		2,646	330
Increase/(decrease) in employee leave entitlements		306	510
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		32,246	31,555

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		270	367
Total non-cash investing and financing activities		270	367
(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 guaranteed an amount of \$10,000 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 was executed on 24 January 2014.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(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		10,917	10,617
Plant and equipment		95	2,459
Recreational projects		3,027	2,951
Roads, bridges and footpaths		8,562	7,799
Stormwater drainage		504	413
Total commitments		23,105	24,239
These expenditures are payable as follows:			
Within the next year		23,105	24,239
Total payable		23,105	24,239
Sources for funding of capital commitments:			
Unrestricted general funds		1,384	4,532
Future grants and contributions		1,736	1,868
Sect 64 and 94 funds/reserves		15,239	14,182
Unexpended grants		48	–
Externally restricted reserves		2,271	200
Internally restricted reserves		2,427	3,457
Total sources of funding		23,105	24,239

(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	235	317
Later than one year and not later than 5 years	105	324
Total non-cancellable operating lease commitments	340	641

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>4,931</u>	6.04%	3.92%	-1.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>81,573</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>75,539</u>	78.86%	75.71%	75.54%
Total continuing operating revenue ⁽¹⁾	<u>95,793</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>39,536</u>	3.50x	2.96x	2.55x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>11,284</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>16,382</u>	24.82x	21.76x	17.10x
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>662</u>	1.31%	1.57%	2.32%
Rates, annual and extra charges collectible	<u>50,565</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>82,985</u>	12.84 mths	14.4 mths	12.3 mths
Payments from cash flow of operating and financing activities	<u>6,462</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 2016

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 2015/16 result

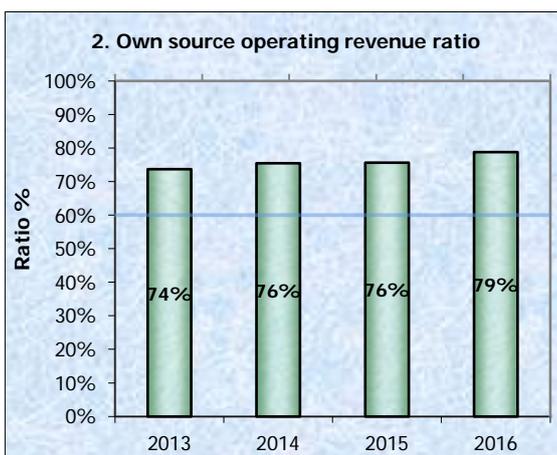
2015/16 ratio 6.04%

Strong revenue growth (excluding capital grants and contributions and net gain on sale of assets) of \$4.8M compared to expenditure growth of \$2.9M. Approximately \$1M of the improvement is attributed to one-off investment dividends.

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

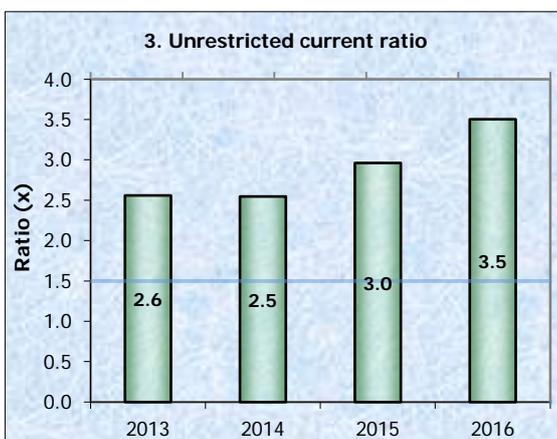
2015/16 ratio 78.86%

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 #24

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 2015/16 result

2015/16 ratio 3.50x

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

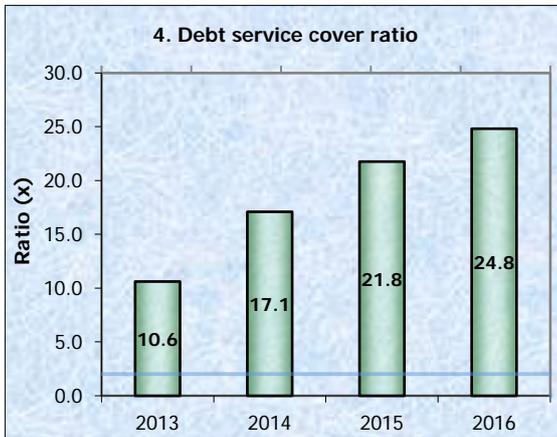
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2016

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 2015/16 result

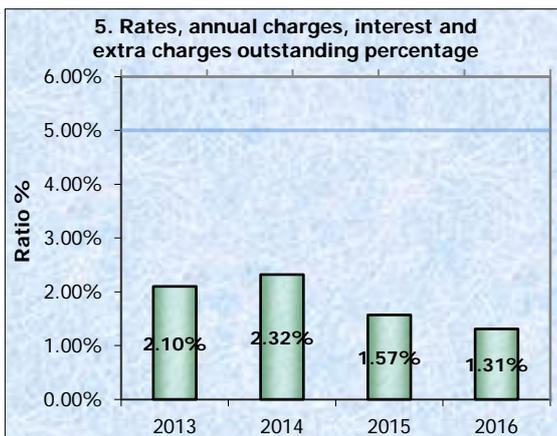
2015/16 ratio 24.82x

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 #24

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 2015/16 result

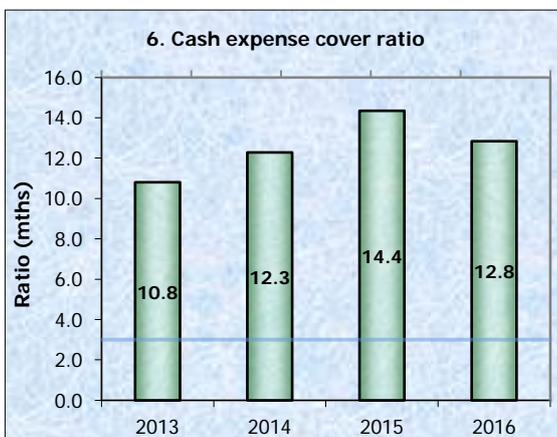
2015/16 ratio 1.31%

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 improvement over the past 12 months reflects uncollected rates as at 30 June being reduced from \$764K in 2015 to \$662K in 2016.

Benchmark: Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 12.84 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 12.8 months without additional cash inflow.

Benchmark: Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>26,114</u>	<u>25,435</u>
Reconciliation of annual movement:			
Opening balance		25,435	21,067
– Capitalised expenditure – this year		37	–
– Disposals during year		(450)	–
– Net gain/(loss) from fair value adjustments		(25)	4,367
– Transfers from/(to) owner occupied (Note 9)		1,117	–
– Other movements		–	1
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>26,114</u>	<u>25,435</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.

As at 30 June 2016, the fair values of the land and buildings have been determined by Liquid Pacific Valuers by applying market movement percentages for the year. The last full revaluation was completed by Liquid Pacific Valuers for the year ended 30 June 2013.

Principal Valuer - Martin Burns, certified and chartered practicing valuer.

A full-revaluation was deferred pending a decision on the proposed amalgamation between Burwood, Strathfield and Canada Bay Councils as the carrying value as at 30 June 2016 was considered to be not materially different from fair value.

(c) Leasing arrangements

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	240	240
Later than 1 year but less than 5 years	991	997
Later than 5 years	260	259
Total minimum lease payments receivable	<u>1,491</u>	<u>1,496</u>

(d) Investment property income and expenditure – summary**Rental income from investment properties:**

– Minimum lease payments	242	237
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Direct operating expenses on investment properties:

– that generated rental income	(17)	(6)
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Net revenue contribution from investment properties	<u>225</u>	<u>231</u>
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plus:

Fair value movement for year	<u>(25)</u>	<u>4,367</u>
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Total income attributable to investment properties	<u>200</u>	<u>4,598</u>
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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 2016

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	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	1,924	5,922	1,924	5,922
Investments				
– 'Held to maturity'	86,061	80,832	86,061	80,832
Receivables	6,869	7,398	6,868	7,398
Total financial assets	94,854	94,152	94,853	94,152
Financial liabilities				
Payables	15,554	14,881	15,554	14,881
Loans/advances	4,067	4,479	3,851	4,241
Total financial liabilities	19,621	19,360	19,405	19,122

Fair value for:

- **Cash and cash equivalents, receivables, payables**, are estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.

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 2016

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
2016				
Possible impact of a 1% movement in interest rates	880	880	(880)	(880)
2015				
Possible impact of a 1% movement in interest rates	868	868	(868)	(868)

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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.

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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	73%	0%	72%
Overdue	100%	27%	100%	28%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
Current	Current	–	5,177	–	4,810
< 1 year overdue	0 – 30 days overdue	422	629	577	–
1 – 2 years overdue	30 – 60 days overdue	116	103	115	204
2 – 5 years overdue	60 – 90 days overdue	38	150	72	1,120
> 5 years overdue	> 90 days overdue	–	300	–	566
		576	6,359	764	6,700

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	66	66
Balance at the end of the year	66	66

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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		
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
2015									
Trade/other payables	9,387	5,494	–	–	–	–	–	14,881	14,881
Loans and advances	–	660	660	660	660	660	2,406	5,706	4,479
Total financial liabilities	9,387	6,154	660	660	660	660	2,406	20,587	19,360

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:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	15,554	0.00%	14,881	0.00%
Loans and advances – fixed interest rate	4,067	5.60%	4,479	5.60%
	<u>19,621</u>		<u>19,360</u>	

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 02 June 2015.

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	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	48,967	49,627	660	1%	F
User charges and fees	12,569	13,709	1,140	9%	F
Interest and investment revenue	2,279	3,954	1,675	73%	F
*Dividend distributions of \$602K received relating to claims against Lehman Brothers Australia (In Liquidation) and Standard and Poors settlement amounting to \$470K. Total proceeds of \$1.07M not budgeted for.					
*Interest Revenue exceeded original budget by \$695K as a result of more funds being available to invest than anticipated.					
Other revenues	7,539	8,249	710	9%	F
*Bus Shelter Advertising Revenue for the year amounted to \$574K exceeding budget by \$287K.					
*Concord Oval Lease Fees for the year amounted to \$174K exceeding budget by \$92K.					
Operating grants and contributions	4,211	6,034	1,823	43%	F
*Roads to Recovery Grant of \$1.2M exceeded budget by \$523K. Additional allocation the result of additional fuel excise distributions by the Federal Government.					
Capital grants and contributions	6,271	14,220	7,949	127%	F
*Grant from RMS for Timbrell Drive road widening project. \$1.7m grant not anticipated when original budget prepared. Accrued revenue of \$819K matching expenditure incurred as at 30 June.					
*Developer Contributions forecast in the Original Budget at \$4.4M. Over \$11.1M in cash and "In Kind" contributions of \$270K were received, resulting in revenue exceeding budget by \$6.9M.					
Net gains from disposal of assets	-	2,776	2,776	0%	F
*Compulsory acquisition of Cintra Park Hockey Complex by West Connex and the replacement of amenities building at Powells Creek by the Dept of Education. Replacement Assets provided in lieu of cash and resulted in a net gain of approximately \$2.4M.					
*Compulsory acquisition of part of 10 Thornleigh St, resulted in compensation payment of \$773K, with a gain on disposal of \$450K.					

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	31,748	30,673	1,075	3%	F
Borrowing costs	248	248	-	0%	F
Materials and contracts	21,872	20,648	1,224	6%	F
Depreciation and amortisation	10,421	11,203	(782)	(8%)	U
Other expenses	12,810	13,895	(1,085)	(8%)	U

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

Cash flows from operating activities	17,253	32,246	14,993	86.9%	F
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*The Original Budget did not account for the favourable cash flows as detailed in the explanations provided above for "Interest and Investment Revenue" and "Operating and Capital Grants and Contributions."

Cash flows from investing activities	(16,656)	(35,832)	(19,176)	115.1%	U
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*Greater than anticipated purchase of Term Deposit Investments with maturities greater than 90 days. Overall total investments as at 30 June have increased from \$80.8M to \$86.1M

Cash flows from financing activities	(412)	(412)	-	0.0%	F
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City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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	1,422	2	–	73	(59)	–	1,438	–
Parking	88	1	–	2	(32)	–	59	–
Open space	12,268	6,652	–	117	(4,158)	–	14,879	–
Community facilities	8,159	942	–	91	(5,098)	–	4,094	–
Community infrastructure	1,032	908	–	10	(314)	–	1,636	–
Administration	61	103	–	1	(26)	–	139	–
Other	118	2	–	2	–	–	122	–
S94 contributions – under a plan	23,148	8,610	–	296	(9,687)	–	22,367	–
S94A levies – under a plan	1,963	1,065	–	38	(1,327)	–	1,739	–
Total S94 revenue under plans	25,111	9,675	–	334	(11,014)	–	24,106	–
S93F planning agreements	19,081	1,380	270	465	(6,048)	–	14,878	–
Total contributions	44,192	11,055	270	799	(17,062)	–	38,984	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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	6,519	6,633	–	82	(230)	–	13,004	–
Community facilities	1,511	935	–	14	(168)	–	2,292	–
Community infrastructure	1,032	908	–	10	(314)	–	1,636	–
Administration	61	103	–	1	(26)	–	139	–
Total	9,123	8,579	–	107	(738)	–	17,071	–

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	1,274	–	–	70	(59)	–	1,285	–
Parking	66	–	–	2	(32)	–	36	–
Open space	4,623	–	–	13	(3,928)	–	708	–
Community facilities	4,818	–	–	50	(4,387)	–	481	–
Total	10,781	–	–	135	(8,406)	–	2,510	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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	148	2	–	3	–	–	153	–
Parking	22	1	–	–	–	–	23	–
Open space	1,126	19	–	22	–	–	1,167	–
Community facilities	464	7	–	9	–	–	480	–
Other	118	2	–	2	–	–	122	–
Total	1,878	31	–	36	–	–	1,945	–

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	1,366	–	–	18	(543)	–	841	–
Total	1,366	–	–	18	(543)	–	841	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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	1,963	1,065	–	38	(1,327)	–	1,739	–
Total	1,963	1,065	–	38	(1,327)	–	1,739	–

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	511	–	–	10	–	–	521	–
Rhodes general	16,725	–	270	306	(5,480)	–	11,551	–
Canada Bay general	1,538	–	–	126	(568)	–	1,096	–
Breakfast Point	307	1,380	–	23	–	–	1,710	–
Total	19,081	1,380	270	465	(6,048)	–	14,878	–

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2016

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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(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.

(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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(iv) Other Guarantees (continued)

works in NSW. This guarantee was executed on 30 September 2004. Council has guaranteed an amount of \$10,000 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 was executed on 24 January 2014.

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 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 a hearing date of 1 December 2016 has been set.

Council is also defending a matter commenced by three related companies - Omay Investments Pty Ltd, Omay Holding Pty Ltd, and Arinson Pty Limited. The matter concerns the related companies claiming a right to purchase 1A Chapman Street and /or easements over 1A Chapman Street. Judgement on this matter was handed down in May 2014. The plaintiff subsequently lodged an appeal against part of the judgement. The Appeal was dismissed in July 2015. A number of costs orders have been granted in Council's favour as a result of these proceedings, and bills of costs are being prepared to enable recovery of these funds.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

Council Amalgamations

On the 18 December 2015 the Premier and Minister for Local Government announced the Government's Merger Proposal for the City of Canada Bay, that is, that the City of Canada Bay be joined with Burwood and Strathfield Municipal Councils to form a new entity.

On the 5 May 2016, Strathfield Council commenced legal action against the State Government regarding the proposed merger with the City of Canada Bay and Burwood Council. Proceedings were initiated in the Land and Environment Court against amalgamation.

At the time of preparing these Financial Statements, Justice Moore had not handed down his decision in relation to the Strathfield proceedings. It is also possible that a decision not favourable to Strathfield could be appealed which will extend the timeframe for a final decision for the proposed merger.

Note 19. Interests in other entities

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		2,030,751	1,960,189
a. Correction of prior period errors	20 (c)	–	44,350
b. Net operating result for the year		21,902	26,212
Balance at end of the reporting period		<u><u>2,052,653</u></u>	<u><u>2,030,751</u></u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		1,621,282	1,622,346
Total		<u><u>1,621,282</u></u>	<u><u>1,622,346</u></u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		1,622,346	1,590,844
– Revaluations for the year	9(a)	(1,064)	31,502
– Correction of prior period errors	20(c)		
– Balance at end of year		<u><u>1,621,282</u></u>	<u><u>1,622,346</u></u>
TOTAL VALUE OF RESERVES		<u><u>1,621,282</u></u>	<u><u>1,622,346</u></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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
<p>During the asset revaluation of roads, it was determined that there had been an error in prior year depreciation. This had resulted in the accumulated depreciation of the asset class for this year being materially different from the actual position on its assets life cycle:</p> <p>Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/15 (the closing date for the comparative figures in last year's report).</p> <p>As a result, Council adjusted the accumulated depreciation for the asset classes below as at 30/6/16 to reflect the correct value of accumulated depreciation;</p>			
		(1,064)	44,350
<p>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</p> <p>These amounted to the following equity adjustments:</p>			
			44,350
		<u>–</u>	<u>44,350</u>

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) 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 dd/mm/yy.

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 2016.

(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 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

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 2016

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,069	2,168
Accumulated amortisation (1/7)	(752)	(159)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	2,317	2,009
Movements for the year		
– Purchases	439	901
– Amortisation charges	(614)	(593)
Closing values:		
Gross book value (30/6)	3,508	3,069
Accumulated amortisation (30/6)	(1,366)	(752)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE¹</u>	<u>2,142</u>	<u>2,317</u>

¹ The net book value of intangible assets represent:

– Software and IT system development costs	2,142	2,317
	<u>2,142</u>	<u>2,317</u>

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 2016

Note 27. Fair value measurement

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 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	–	–	26,114	26,114
Infrastructure, property, plant and equipment (IPP&E)					
– Operational land	30/6/13	–	–	62,199	62,199
– Community land	30/6/13	–	–	2,035,367	2,035,367
– Land under roads	30/6/14	–	–	958,875	958,875
– 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
– Storm water 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		–	–	3,580,620	3,580,620
Total Investment Property and IPP&E				3,606,734	3,606,734

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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 2015	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	–	–	25,435	25,435
Infrastructure, property, plant and equipment (IPP&E)					
– Operational land	30/6/13	–	–	62,199	62,199
– Community land	30/6/13	–	–	2,035,367	2,035,367
– Land under roads	30/6/14	–	–	958,875	958,875
– Buildings (specialised and non-specialised)	30/6/13	–	–	63,708	63,708
– Roads, bridges, footpaths	30/6/15	–	–	280,888	280,888
– Swimming pools	30/6/13	–	–	3,769	3,769
– Stormwater drainage	30/6/15	–	–	73,819	73,819
– Plant and equipment	30/6/15	–	–	4,031	4,031
– Office equipment	30/6/15	–	–	154	154
– Other structures	30/6/15	–	–	40,200	40,200
– Other assets	30/6/13	–	–	36,757	36,757
Total (IPP&E)				3,559,767	3,559,767
Total Investment Property and IPP&E				3,585,202	3,585,202

(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 2016

Note 27. Fair value measurement (continued)

Investment properties

Council engages external, independent and qualified valuers to determine the fair value of its investment properties. As at 30 June 2016, the fair values of the land and buildings have been determined by Liquid Pacific Valuers. Principal Valuer – Martin Burns, certified and chartered practicing valuer by applying market movement percentages for the year. The last full revaluation was completed by Liquid Pacific Valuers for the year ended 30 June 2013. A full-revaluation was deferred pending a decision on the proposed amalgamation between Burwood, Strathfield and Canada Bay Councils as the carrying value as at 30 June was considered to be not materially different from fair value.

Prices quoted are prices in active markets.

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.

A revaluation of Community land, all other asset classes, other structures and land improvements were not performed for the year ended 30 June 2016.

The revaluation was deferred pending a decision on the proposed amalgamation between Burwood, Strathfield and Canada Bay Councils as the carrying value as at 30 June 2016 was considered to be not materially different from fair value.

(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 1/7/14	62,776	2,035,112	958,875	51,989	231,474	55,273	4,139	79,774	3,479,412
Purchases (GBV)	–	367	–	–	–	–	1,961	14,821	17,149
Disposals (WDV)	(689)	–	–	(10)	–	–	(1,134)	(303)	(2,136)
Depreciation and Impairment	–	–	–	(1754)	(3,961)	(1,514)	(781)	(2,485)	(10,495)
Revaluation	–	–	–	11,953	43,580	18,869	–	1,450	75,852
Transfers	112	(112)	–	1,530	9,317	1,191	–	(12,053)	(15)
Closing Balance 30/6/15	62,199	2,035,367	958,875	63,708	280,410	73,819	4,185	81,204	3,559,767
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	62,199	2,035,367	958,875	69,444	288,439	74,526	4,208	87,562	3,580,620

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2016

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 1/7/14	21,067	21,067
Purchases (GBV)	-	-
Disposals (WDV)	-	-
Depreciation and Impairment	-	-
Revaluation	4,368	4,368
Transfers		
Closing Balance 30/6/15	25,435	25,435
Purchases (GBV)	37	37
Disposals (WDV)	(450)	(450)
Depreciation and Impairment	-	-
Revaluation	(25)	(25)
Transfers	1,117	1,117
Closing Balance 30/6/16	26,114	26,114

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 (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Land and Buildings	26,114	Review of market conditions by an Independent Valuer	Estimated rental value (/m2) and rental growth (per annum)

Infrastructure, Property, Plant & Equipment

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment, furniture & fittings and office equipment	4,496	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	2,035,367	Land Values obtained from NSW Valuer General	Land Value, Land Area
Land under roads	958,875	Municipal average m2 rate of adjacent properties land values as determined by the NSW Valuer General	Land Value, Land Area
Land improvements	10,954	Cost used to approximate fair value	Asset condition, remaining useful lives, residual value
Other Structures	45,640	Cost used to approximate fair value	Asset condition, remaining useful lives, residual value
Roads, bridges, footpaths	288,439	Unit rates per m2 or length	Asset condition, remaining useful lives, residual value
Stormwater drainage	74,526	Unit rates per m2 or length	Asset condition, remaining useful lives, residual value
Library books	1,100	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 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	49,627	47,525	45,367	42,924	41,000
User charges revenue	13,709	13,263	12,003	11,868	12,026
Interest and investment revenue (losses)	3,954	2,925	2,744	3,525	3,049
Grants income – operating and capital	5,728	4,855	5,605	8,515	6,229
Total income from continuing operations	98,569	99,970	91,455	90,815	81,282
Sale proceeds from I,PP&E	5,214	2,863	444	643	848
New loan borrowings and advances	–	–	5,000	–	–
Outflows:					
Employee benefits and on-cost expenses	30,673	28,545	28,240	27,144	25,911
Borrowing costs	248	270	114	51	94
Materials and contracts expenses	20,648	20,900	20,428	20,380	17,824
Total expenses from continuing operations	76,667	73,758	72,653	70,378	68,361
Total cash purchases of I,PP&E	34,663	17,668	20,056	16,320	8,313
Total loan repayments (incl. finance leases)	412	390	499	780	737
Operating surplus/(deficit) (excl. capital income)	7,682	8,101	1,278	2,694	(1,200)
Financial position figures	2016	2015	2014	2013	2012
Current assets	90,182	91,208	74,557	60,740	50,788
Current liabilities	26,103	24,301	23,771	21,433	21,083
Net current assets	64,079	66,907	50,786	39,307	29,705
Available working capital (Unrestricted net current assets)	(3,882)	4,289	1,392	1,760	912
Cash and investments – unrestricted	5,541	10,487	10,175	7,253	8,987
Cash and investments – internal restrictions	27,320	15,624	14,058	12,795	10,790
Cash and investments – total	87,985	86,754	70,394	55,796	45,731
Total borrowings outstanding (Loans, advances and finance leases)	4,067	4,479	4,869	368	1,148
Total value of I,PP&E (excl. land and earthworks)	811,510	781,316	750,534	733,921	707,648
Total accumulated depreciation	287,331	277,990	283,535	318,192	291,334
Indicative remaining useful life (as a % of GBV)	65%	64%	62%	57%	59%

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 2016

Note 29. 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

ACTING GENERAL MANAGER

Mr. Bruce Cook

RESPONSIBLE ACCOUNTING OFFICER

Mr. Bruce Cook

PUBLIC OFFICER

Mr. Bob Pigott

AUDITORS

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
GPO Box 2650
SYDNEY NSW 1171

Elected members

MAYOR

Cr. Helen McCaffrey

COUNCILLORS

Cr. Tanveer Ahmed
Cr. Mirjana Cestar
Cr. Tony Fasanella
Cr. Neil Kenzler
Cr. Michael Megna
Cr. Marian O'Connell
Cr. Pauline Tyrrell

Other information

ABN: 79 130 029 350



City of Canada Bay Council

Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements of The City of Canada Bay Council, which comprise the statement of financial position as at 30 June 2016 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's opinion:

In our opinion:

- (a) 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); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2016 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Marc Upcroft'.

Marc Upcroft
Partner

Sydney
20 September 2016



Private & Confidential
The Mayor
Councillor Helen McCaffrey
City of Canada Bay
Locked Bag 1470
DRUMMOYNE NSW 1470

Dear Councillor McCaffrey

**Report on the conduct of the Audit for year ended 30 June 2016 –
Section 417(3)**

We have completed our audit of the financial reports of the Council for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

Operating result

Council's operating surplus declined from \$26 million in the previous year to \$22 million in the current period. The net operating result before Capital Contributions was a surplus of \$7.7 million against the previous year's \$8.1 million.

Cash position

Council's overall cash position improved from \$87 million to \$88 million during the period under review. The following table highlights the composition of cash.

	2016	2015
	\$m	\$m
Externally restricted	55	61
Internally restricted	27	16
Unrestricted	6	10
Total	88	87

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Working capital

Council’s net current assets declined from \$67 million to \$64 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2016	2015
	\$m	\$m
Net current assets	64	67
Less: External restrictions	(50)	(58)
Internal restrictions	(27)	(16)
Add: Current liabilities deferred	14	12
Available working capital	1	5

The effective unrestricted or available working capital upon which Council could build its 2017 budget was \$1 million.

Performance indicators

The financial reports disclose of a number of indicators in Note 13 and these are detailed below:

	2016	2015
	%	%
Operating Performance Ratio	6	4
Own Source Operating Revenue Ratio	79	76
Unrestricted Current Ratio	350	296
Debt Service Cover Ratio	2482	2176
Rates Outstanding Ratio	1.3	1.6
Cash Expense Cover Ratio	13	14

The Operating Performance Ratio improved to remain above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio improved to 79% and remained above the industry benchmark of 60%.

The Unrestricted Current Ratio improved and remained above the industry benchmark of 150%.

The Debt Service Cover Ratio improved and remains significantly better than the industry benchmark of 200%.

The Rates Outstanding Ratio improved and remained well within the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 13 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.



Council is considered to be in a sound and stable financial position.

General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Marc Upcroft' in a cursive script.

Marc Upcroft
Partner

Sydney

City of Canada Bay

SPECIAL SCHEDULES

for the year ended 30 June 2016

“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 2016

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Special Schedules¹

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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
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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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,008	45	33	(930)
Administration	6,063	6,474	11,826	12,237
Public order and safety				
Fire service levy, fire protection, emergency services	2,295	–	–	(2,295)
Beach control	–	–	–	–
Enforcement of local government regulations	2,391	4,720	–	2,329
Animal control	5	32	–	27
Other	25	–	–	(25)
Total public order and safety	4,716	4,752	–	36
Health	508	194	–	(314)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	2,703	312	98	(2,293)
Solid waste management	11,275	15,042	–	3,767
Street cleaning	2,208	–	–	(2,208)
Drainage	2,412	102	–	(2,310)
Stormwater management	607	726	–	119
Total environment	19,205	16,182	98	(2,925)
Community services and education				
Administration and education	1,198	73	–	(1,125)
Social protection (welfare)	252	76	–	(176)
Aged persons and disabled	100	17	–	(83)
Children's services	3,684	2,684	10	(990)
Total community services and education	5,234	2,850	10	(2,374)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	518	–	–	(518)
Street lighting	1,858	158	–	(1,700)
Town planning	3,592	1,349	–	(2,243)
Other community amenities	394	685	–	291
Total housing and community amenities	6,362	2,192	–	(4,170)

City of Canada Bay

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	4,613	294	–	(4,319)
Museums	18	–	–	(18)
Art galleries	–	–	–	–
Community centres and halls	915	350	–	(565)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	891	191	–	(700)
Sporting grounds and venues	6,644	3,566	669	(2,409)
Swimming pools	1,111	44	–	(1,067)
Parks and gardens (lakes)	2,687	344	–	(2,343)
Other sport and recreation	3,997	1,689	–	(2,308)
Total recreation and culture	20,876	6,478	669	(13,729)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,283	527	–	(756)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	1,283	527	–	(756)
Transport and communication				
Urban roads (UR) – local	5,320	2,432	1,119	(1,769)
Urban roads – regional	355	–	–	(355)
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	105	105
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	26	–	–	(26)
Parking areas	137	758	–	621
Footpaths	1,944	14	361	(1,569)
Aerodromes	–	–	–	–
Other transport and communication	1,726	66	–	(1,660)
Total transport and communication	9,508	3,270	1,585	(4,653)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	1,904	340	–	(1,564)
Total economic affairs	1,904	340	–	(1,564)
Totals – functions	76,667	43,304	14,221	(19,142)
General purpose revenues ⁽¹⁾		41,044		41,044
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	76,667	84,348	14,221	21,902

(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 2016

\$'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	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	412	4,067	4,479	–	412	–	–	248	438	3,629	4,067
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	412	4,067	4,479	–	412	–	–	248	438	3,629	4,067
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	412	4,067	4,479	–	412	–	–	248	438	3,629	4,067

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 2016

\$'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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–	–	458	295	2,750	5,973	13%	13%	74%	0%	0%
	Childcare Centres	–	–	85	67	3,722	8,585	3%	66%	31%	0%	0%
	Community Centres	–	–	428	411	17,332	29,327	52%	24%	24%	0%	0%
	Leased/Commercial	–	–	95	102	17,758	23,381	63%	30%	7%	0%	0%
	Operational	–	–	791	578	2,983	8,162	0%	4%	96%	0%	0%
	Parks	134	–	971	893	13,781	32,026	25%	28%	45%	2%	0%
	Public Toilets	9	–	271	339	3,328	4,523	55%	3%	41%	1%	0%
	Leisure Centre	–	–	8	28	4,441	8,236	0%	100%	0%	0%	0%
	Special	–	–	–	–	3,349	10,495	6%	11%	83%	0%	0%
Sub-total	143	–	3,107	2,713	69,444	130,708	32.2%	30.1%	37.3%	0.4%	0.0%	
Other Structures	Marine - Structures	404	–	131	71	1,841	3,273	18%	44%	13%	0%	25%
	Marine - Sea Walls	9,672	–	76	52	15,852	96,530	31%	6%	28%	30%	5%
	Parks - Civil/Landscaping	179	–	1,282	1,058	8,819	13,156	56%	20%	19%	5%	0%
	Parks - Furniture/Monuments	115	–	80	–	6,784	10,382	63%	21%	12%	2%	1%
	Parks - Playgrounds	1	–	116	63	107	222	47%	9%	43%	1%	0%
	Parks - Playing Courts	8	–	155	136	2,547	3,253	91%	5%	4%	1%	0%
	Parks - Playing Fields etc	6	–	2,440	2,457	9,690	11,075	93%	5%	2%	0%	0%
	Sub-total	10,385	–	4,280	3,837	45,640	137,891	41.8%	9.0%	23.1%	22.0%	4.1%
Roads	Sealed Roads Surface	62	–	1,523	1,808	53,063	66,892	52%	37%	11%	0%	0%
	Road Pavement	75	–	–	–	146,508	158,601	56%	37%	7%	0%	0%
	Bridges	13	–	–	–	4,578	5,960	23%	62%	14%	1%	0%
	Footpaths/Cycleways	383	–	1,815	1,407	46,225	62,944	11%	29%	59%	2%	0%
	Kerb and Gutter	1,052	–	119	66	28,379	43,125	6%	25%	60%	8%	1%
	Roadside Assets	64	–	751	899	837	1,117	60%	9%	14%	12%	5%
	Road Structures	13	–	167	111	1,219	1,876	75%	5%	18%	2%	1%
	Traffic Facilities	107	–	708	612	7,630	9,959	12%	66%	18%	3%	0%
	Other	–	–	47	28	0	–	0%	0%	0%	0%	0%
Sub-total	1,769	–	5,130	4,931	288,439	350,474	39.2%	34.8%	24.2%	1.6%	0.2%	

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater Drainage	Drainage Reticulation	5,330	–	320	711	71,292	128,324	4%	22%	60%	11%	3%
	Environmental Quality Device	–	–	21	13	3,234	3,328	100%	0%	0%	0%	0%
	Sub-total	5,330	–	341	724	74,526	131,652	6.7%	21.0%	58.7%	10.9%	2.6%
Open Space/ Recreational assets	Swimming pools	19	–	220	395	4,048	5,252	53%	3%	42%	1%	0%
	Sub-total	19	–	220	395	4,048	5,252	52.8%	3.4%	42.4%	1.5%	0.0%
Land Improvement	Land Improvements	–	–	–	–	10,953	15,286	18%	2%	80%	0%	0%
	Sub-total	–	–	–	–	10,953	15,286	17.9%	2.1%	80.1%	0.0%	0.0%
	TOTAL – ALL ASSETS	17,646	–	13,078	12,600	493,051	771,263	32.6%	26.2%	33.3%	6.6%	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 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>10,080</u>	115.84%	101.57%	111.23%
Depreciation, amortisation and impairment	<u>8,702</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>17,646</u>	3.58%	4.94%	4.15%
Carrying value of infrastructure assets	<u>493,051</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>12,600</u>	0.96	1.07	0.99
Required asset maintenance	<u>13,078</u>			
4. Capital expenditure ratio				
Annual capital expenditure	<u>33,774</u>	3.01	1.35	1.71
Annual depreciation	<u>11,203</u>			

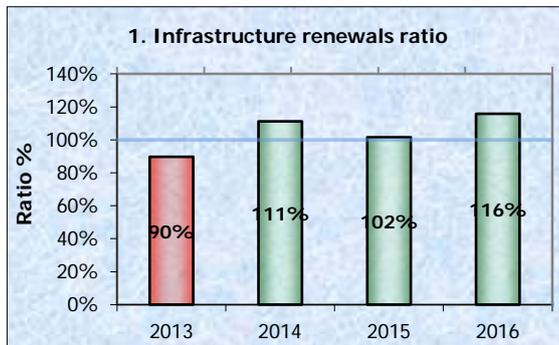
Notes

* 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 2016



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.

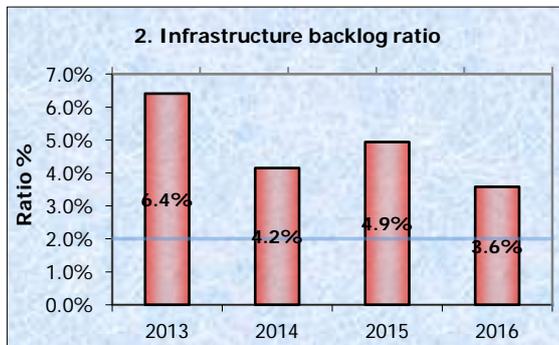
Commentary on 2015/16 result

2015/16 Ratio 115.84%

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 #24

■ 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 2015/16 result

2015/16 Ratio 3.58%

These results demonstrate the success of Council's strategy to increasingly invest in Infrastructure Renewal. Overall, in excess of 96% the Community's Assets are being maintained to a satisfactory standard with programmed renewal works targeting the remaining assets.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ 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.

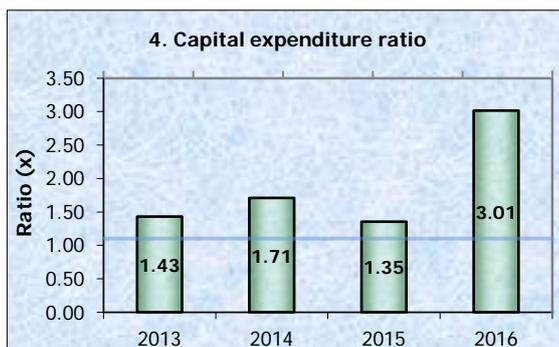
Commentary on 2015/16 result

2015/16 Ratio 0.96 x

Council's strategic asset management programme is appropriately funding asset maintenance.

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2015/16 result

2015/16 Ratio 3.01 x

This ratio reflects new and renewal asset expenditure of \$33M. Over \$9.6M was invested in Buildings and Other Structures whilst \$5.3M was expended on Roads, Bridges, Footpaths and Stormwater Assets. The Connections Facility at Rhodes represented a major capital work in progress. During 2015/16 expenditure amounted to \$13M with the remaining \$6M spend to be finalised by November 2016.

Benchmark: ——— Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

City of Canada Bay

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	34,525	35,630
Plus or minus adjustments ⁽²⁾	b	269	329
Notional general income	c = (a + b)	34,794	35,959
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	$h = d \times (c - g)$	–	–
Or plus rate peg amount	$i = c \times e$	835	647
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	–	–
Sub-total	$k = (c + g + h + i + j)$	35,629	36,606
Plus (or minus) last year's carry forward total	l	6	5
Less valuation objections claimed in the previous year	m	–	–
Sub-total	$n = (l + m)$	6	5
Total permissible income	$o = k + n$	35,635	36,611
Less notional general income yield	p	35,630	36,600
Catch-up or (excess) result	$q = o - p$	5	11
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	$t = q + r - s$	5	11

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.



The City of Canada Bay Council

Independent auditor's report Report on the Special Schedule No. 8

Report on the Special Schedule No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of The City of Canada Bay Council ("the Council") for the year ending 30 June 2017.

Councillors' responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PricewaterhouseCoopers, ABN 52 780 433 757

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Audit Opinion

In our opinion, Special Schedule No. 8 of The City of Canada Bay Council for the year ending 30 June 2017 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of the total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the council and the Office of Local Government.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Marc Upcroft' in a cursive script.

Marc Upcroft
Partner

Sydney
20 September 2016