

City of Canada Bay

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“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 2018

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Overview

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

1A Marlborough Street
Drummoyne NSW 2047

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

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

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

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

City of Canada Bay

General Purpose Financial Statements for the year ended 30 June 2018

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 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the Audit Office of NSW. 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 17/18 financial year can be found at Note 25 of the financial statements.

City of Canada Bay

General Purpose Financial Statements for the year ended 30 June 2018

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

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

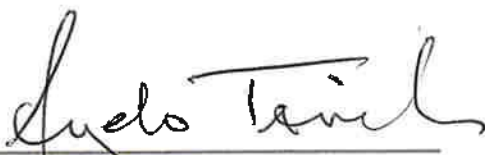
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 09 October 2018.



Cr. Angelo Tsirekas
Mayor
09 October 2018



Cr. Charles Jago
Councillor
09 October 2018



Mr Peter Gainsford
General Manager
09 October 2018



Mr Bob Pigott
Responsible Accounting Officer
09 October 2018

City of Canada Bay

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
51,216	Rates and annual charges	3a	51,003	50,281
14,464	User charges and fees	3b	18,138	16,199
2,401	Interest and investment revenue	3c	2,702	2,669
8,251	Other revenues	3d	9,432	9,924
4,495	Grants and contributions provided for operating purposes	3e,f	5,348	7,078
4,254	Grants and contributions provided for capital purposes	3e,f	11,377	12,497
Other income:				
—	Fair value increment on investment property	11	—	10,974
85,081	Total income from continuing operations		98,000	109,622
Expenses from continuing operations				
35,299	Employee benefits and on-costs	4a	34,954	32,691
197	Borrowing costs	4b	197	222
22,974	Materials and contracts	4c	22,658	20,544
10,981	Depreciation and amortisation	4d	13,426	12,662
14,859	Other expenses	4e	15,069	14,013
—	Net losses from the disposal of assets	5	297	367
84,310	Total expenses from continuing operations		86,601	80,499
771	Operating result from continuing operations		11,399	29,123
771	Net operating result for the year		11,399	29,123
771	Net operating result attributable to Council		11,399	29,123
Net operating result for the year before grants and contributions provided for capital purposes				
(3,483)			22	16,626

City of Canada Bay

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		11,399	29,123
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	147,214	307,098
Total items which will not be reclassified subsequently to the operating result		147,214	307,098
Total other comprehensive income for the year		147,214	307,098
Total comprehensive income for the year		158,613	336,221
Total comprehensive income attributable to Council		158,613	336,221

City of Canada Bay

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	6a	8,376	5,516	1,924
Investments	6b	77,545	81,150	81,061
Receivables	7	6,171	6,128	6,869
Inventories	8	58	56	25
Other	8	195	201	303
Non-current assets classified as 'held for sale'	9	2,100	2,100	–
Total current assets		94,445	95,151	90,182
Non-current assets				
Investments	6b	14,000	4,000	5,000
Infrastructure, property, plant and equipment	10	1,656,952	1,507,070	1,182,454
Investment property	11	32,920	32,920	24,046
Intangible assets	12	846	1,587	2,142
Total non-current assets		1,704,718	1,545,577	1,213,642
TOTAL ASSETS		1,799,163	1,640,728	1,303,824
LIABILITIES				
Current liabilities				
Payables	13	16,937	15,414	15,554
Income received in advance	13	933	2,385	1,270
Borrowings	13	490	463	438
Provisions	14	9,224	8,621	8,841
Total current liabilities		27,584	26,883	26,103
Non-current liabilities				
Borrowings	13	2,676	3,166	3,629
Provisions	14	368	757	391
Total non-current liabilities		3,044	3,923	4,020
TOTAL LIABILITIES		30,628	30,806	30,123
Net assets		1,768,535	1,609,922	1,273,701
EQUITY				
Accumulated surplus	15	1,165,220	1,153,821	1,124,698
Revaluation reserves	15	603,315	456,101	149,003
Total equity		1,768,535	1,609,922	1,273,701

City of Canada Bay

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Restated
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	Total equity
Opening balance		1,153,821	456,101	1,609,922	1,112,512	149,003	1,261,515
Correction of prior period errors	15 (b)	–	–	–	12,186	–	12,186
Restated opening balance		1,153,821	456,101	1,609,922	1,124,698	149,003	1,273,701
Net operating result for the year		11,399	–	11,399	29,123	–	29,123
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	147,214	147,214	–	307,098	307,098
Other comprehensive income		–	147,214	147,214	–	307,098	307,098
Total comprehensive income (c&d)		11,399	147,214	158,613	29,123	307,098	336,221
Equity – balance at end of the reporting period		1,165,220	603,315	1,768,535	1,153,821	456,101	1,609,922

City of Canada Bay

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
51,203	Rates and annual charges		50,544	50,257
14,460	User charges and fees		16,663	17,308
2,397	Investment and interest revenue received		2,692	2,360
9,011	Grants and contributions		16,297	19,527
–	Bonds, deposits and retention amounts received		8,738	8,038
8,313	Other		13,984	13,908
Payments:				
(33,926)	Employee benefits and on-costs		(34,400)	(32,488)
(22,921)	Materials and contracts		(23,042)	(20,189)
(197)	Borrowing costs		(197)	(222)
–	Bonds, deposits and retention amounts refunded		(7,616)	(7,572)
(14,859)	Other		(18,295)	(19,698)
13,481	Net cash provided (or used in) operating activities	16b	25,368	31,229
Cash flows from investing activities				
Receipts:				
462	Sale of investment securities		138,876	119,649
3,165	Sale of infrastructure, property, plant and equipment		1,021	1,169
Payments:				
–	Purchase of investment securities		(145,271)	(118,738)
(16,645)	Purchase of infrastructure, property, plant and equipment		(16,671)	(29,279)
(13,018)	Net cash provided (or used in) investing activities		(22,045)	(27,199)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(463)	Repayment of borrowings and advances		(463)	(438)
(463)	Net cash flow provided (used in) financing activities		(463)	(438)
–	Net increase/(decrease) in cash and cash equivalents		2,860	3,592
5,516	Plus: cash and cash equivalents – beginning of year	16a	5,516	1,924
5,516	Cash and cash equivalents – end of the year	16a	8,376	5,516
Additional Information:				
	plus: Investments on hand – end of year	6b	91,545	85,150
	Total cash, cash equivalents and investments		99,921	90,666

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Notes to the Financial Statements

for the year ended 30 June 2018

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 09/10/2018.

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

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

Basis of preparation

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

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

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

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

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

and are clearly marked.

In preparing these financial statements, management has made an assessment of a Council's ability to continue as a going concern. Financial statements have been prepared on a going-concern basis.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties –refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

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

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

- *AASB 9 Financial Instruments*

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

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

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

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

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

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

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

- *AASB 16 Leases*

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

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

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

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

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

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Defined contribution plans

The following disclosure is made in respect to Council's reporting obligations under AASB119, paragraph 148 as a sponsoring employer of the Local Government Superannuation Scheme.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit plan is not available and therefore, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, ie as an expense when it becomes payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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.

For this reason, no asset for the surplus has been recognised in these financial statements.

I. Defined Benefit Superannuation Contribution Plans

(a) Funding agreements and method used to determine the entity's rate of contributions and any minimum funding requirements

Council participates in the pooled employer sponsored defined benefits of the Local Government Superannuation Scheme.

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

(b) Extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(c) Description of any agreed allocation of a deficit or surplus on:

(i) Wind-up of the plan

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

(ii) The entity's withdrawal from the plan

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

(i) The fact that the plan is a defined benefit plan.

(ii) Sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

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

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

As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan

(iii) The expected contributions to the plan for the next annual reporting period is \$316,520.

(iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determined that deficit or surplus and the implications, if any, for the entity

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only*	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

*plus promotional increases

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

The share of the surplus that can be broadly attributed to Council is estimated to be around 0.44% which is estimated to be in the order of \$133,320.

Additional contributions estimated to remain in place until 30 June 2021; amount to \$534,000. However the Trustee will be reviewing the financial position of the fund on an annual basis and will provide updates.

(v) Indication of the level of participation of the entity in the plan compared with other participating entities

Council's participation in the scheme compared with other entities is about 0.44% based on Council's current level of additional contributions of \$534,000 against total contributions of \$40m.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$309,912. The last valuation of the Fund was performed by Mr Richard Boyfield (Fellow of the Institute of Actuaries of Australia) on 12 December 2017, relating to the period ending 30 June 2017.

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Notes to the Financial Statements

for the year ended 30 June 2018

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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Active & Vibrant	13,001	11,689	35,632	29,308	(22,631)	(17,619)	1,500	982	304,102	263,899
Sustainable Spaces & Places	28,959	24,044	32,227	29,638	(3,268)	(5,594)	5,974	789	176,094	143,535
Innovative & Engaged	50,231	67,432	5,396	10,081	44,835	57,351	2,976	4,595	220,179	151,068
Thriving & Connected	5,809	6,457	13,346	11,472	(7,537)	(5,015)	629	1,193	1,098,788	1,082,226
Total functions and activities	98,000	109,622	86,601	80,499	11,399	29,123	11,079	7,559	1,799,163	1,640,728

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

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:

Active & Vibrant

Childrens services, Recreation, Health & Wellbeing, Community services, Connection and Celebrations, Libraries

Sustainable Spaces & Places

Protecting the Environment, Biodiversity, Environmental Sustainability, Safe Community, Attractive Public Spaces, Sustainable Design and Heritage

Innovative & Engaged

Communication & Collaboration, Promotion of Local Events & Services, Innovation, Governance & Corporate Support Services, Continuous Improvement Programs, Human Resources and Financial Management

Thriving & Connected

Transport Infrastructure Construction and Maintenance, Transport Planning, Village & Shopping Centre Upgrades

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	32,253	31,421
Business	5,174	5,228
Less: pensioner rebates (mandatory)	(678)	(715)
Total ordinary rates	36,749	35,934
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	13,790	13,903
Stormwater management services	725	721
Less: pensioner rebates (mandatory)	(261)	(277)
Total annual charges	14,254	14,347
TOTAL RATES AND ANNUAL CHARGES	51,003	50,281

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

Accounting policy for rates and annual charges

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.

(b) User charges and fees

Specific user charges (per s.502 – specific 'actual use' charges)

Waste management services (non-domestic)	668	569
Total specific user charges	668	569

Other user charges and fees

(i) Fees and charges – statutory and regulatory functions (per s.608)

Building certification	228	344
Planning and building regulation	1,321	779
Private works – section 67	343	634
Registration fees	56	17
Section 149 certificates (EPA Act)	226	245
Section 603 certificates	119	119
Section 611 charges	74	72
Occupancy of public land	398	394
Hoardings	590	513
Shop inspections	181	173
Total fees and charges – statutory/regulatory	3,536	3,290

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Admission and service fees	1,034	942
Aged care	26	24
Child care	2,816	2,728
Golf course fees	1,517	1,430
Halls and meeting rooms	948	522
Leaseback fees – Council vehicles	356	318
Leisure centre	2,980	3,123
Library	41	29
Park rents	452	345
Parking fees	753	705
Restoration charges	3,000	2,165
Other	11	9
Total fees and charges – other	13,934	12,340
TOTAL USER CHARGES AND FEES	18,138	16,199

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)**Interest**

– Overdue rates and annual charges (incl. special purpose rates)	85	79
– Cash and investments	2,601	2,567
– Other	16	2
Dividend income	–	21

TOTAL INTEREST AND INVESTMENT REVENUE

2,702 **2,669**

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	85	79
General Council cash and investments	2,022	1,970

Restricted investments/funds – external:

Development contributions		
– Section 7.11	363	355
– Voluntary planning agreements	232	265

Total interest and investment revenue recognised

2,702 **2,669**

Accounting policy for interest and investment revenue

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

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	11	245	234
Rental income – other council properties		2,049	1,875
Fines – building compliance		114	121
Fines – parking		4,261	4,287
Fines – other		25	27
Legal fees recovery – rates and charges (extra charges)		30	59
Legal fees recovery – other		30	43
Commissions and agency fees		6	5
Bus shelter advertising		895	811
Diesel rebate		101	18
Energy certificates		1	–
Insurance claim recoveries		3	–
North Strathfield rail underpass project		–	4
Recycling income		327	347
Rental income – affordable housing		308	331
Rental income – footpath dining		466	442
Sale of abandoned vehicles		38	49
Sales – general		12	28
Sponsorships		72	59
Waste management performance bonus		120	210
Carbon tax reimbursement		–	395
Fire and emergency services levy (FESL) implementation		4	129
Other		325	450
<u>TOTAL OTHER REVENUE</u>		<u>9,432</u>	<u>9,924</u>

Accounting policy for other revenue

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

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

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

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

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	921	1,778	–	–
Financial assistance – local roads component	307	594	–	–
Payment in advance – future year allocation				
Financial assistance – general component	955	918	–	–
Financial assistance – local roads component	317	305	–	–
Other				
Pensioners' rates subsidies – general component	371	391	–	–
Total general purpose	2,871	3,986	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	142	151	–	–
Community care	386	435	–	–
Economic development	5	5	–	–
Employment and training programs	19	25	–	–
Environmental projects	68	110	17	–
Environmental protection	325	38	–	–
Heritage and cultural	13	16	–	–
Library	246	244	–	–
LIRS subsidy	71	81	–	–
Planning	–	55	–	–
Recreation and culture	4	–	6,180	115
Sport and recreation	–	14	99	932
Street lighting	164	160	–	–
Traffic route subsidy	30	30	–	–
Transport (roads to recovery)	285	1,095	–	–
Transport (other roads and bridges funding)	90	–	–	–
Transport (road safety funding)	64	67	–	–
Total specific purpose	1,912	2,526	6,296	1,047
Total grants	4,783	6,512	6,296	1,047
Grant revenue is attributable to:				
– Commonwealth funding	2,900	4,469	1,099	901
– State funding	1,580	1,999	5,179	31
– Other funding	303	44	18	115
	4,783	6,512	6,296	1,047

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	–	2,603
S 7.11 – contributions towards amenities/services		–	–	2,680	5,785
S 7.12 – fixed development consent levies		–	–	1,501	1,736
Total developer contributions – cash		–	–	4,181	10,124
Total developer contributions	23	–	–	4,181	10,124
Other contributions:					
Cash contributions					
Environmental contributions		21	21	–	–
Insurance incentive scheme contribution		107	126	–	–
Recreation and culture		–	–	602	169
RMS contributions (regional roads, block grant)		359	360	298	1,157
Other		78	59	–	–
Total other contributions – cash		565	566	900	1,326
Total contributions		565	566	5,081	11,450
TOTAL GRANTS AND CONTRIBUTIONS		5,348	7,078	11,377	12,497

Accounting policy for contributions

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

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

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	630	525
Add: operating grants recognised in the current period but not yet spent	551	482
Less: operating grants recognised in a previous reporting period now spent	(443)	(377)
Unexpended and held as restricted assets (operating grants)	738	630
Capital grants		
Unexpended at the close of the previous reporting period	221	208
Add: capital grants recognised in the current period but not yet spent	5,429	13
Less: capital grants recognised in a previous reporting period now spent	(21)	–
Unexpended and held as restricted assets (capital grants)	5,629	221
Contributions		
Unexpended at the close of the previous reporting period	31,499	38,985
Add: contributions recognised in the current period but not yet spent	4,776	8,862
Less: contributions recognised in a previous reporting period now spent	(4,969)	(16,348)
Unexpended and held as restricted assets (contributions)	31,306	31,499

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	27,536	25,793
Travel expenses	29	31
Employee leave entitlements (ELE)	3,071	2,705
ELE on-costs	178	–
Superannuation – defined benefit plans	310	355
Superannuation – guarantee levy	2,560	2,473
Workers' compensation insurance	570	496
Fringe benefit tax (FBT)	182	216
Training costs (other than salaries and wages)	241	354
Protective clothing	87	72
Maternity leave	64	91
Other	126	105
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>34,954</u>	<u>32,691</u>

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 1 for more information.

\$ '000	2018	2017
(b) Borrowing costs		
Interest bearing liability costs		
Interest on loans	197	222
Total interest bearing liability costs expensed	197	222
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>197</u>	<u>222</u>

Accounting policy for borrowing costs

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	2,296	2,422
Contractor and consultancy costs		
– Cleaning	605	555
– Contractor and consultancy costs	16	38
– Golf course management	194	215
– Information technology	284	130
– Rate payment agencies	70	91
– Swimming pool management	310	298
– Waste management	7,645	7,072
– Contractor maintenance and repairs	5,632	5,120
– other contractor and consultancy costs	3,760	3,030
Auditors remuneration ⁽²⁾	89	63
Infringement notice contract costs (SEINS)	658	533
Legal expenses:		
– Legal expenses: planning and development	443	224
– Legal expenses: debt recovery	32	57
– Legal expenses: other	227	369
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	364	281
Other	33	46
TOTAL MATERIALS AND CONTRACTS	22,658	20,544
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Computers	364	281
	364	281
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	85	63
Total Auditor-General remuneration	85	63
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	4	–
Total remuneration of non NSW Auditor-General audit firms	4	–
Total Auditor remuneration	89	63

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		966	783
Office equipment		12	28
Furniture and fittings		102	71
Land improvements (depreciable)		569	532
Infrastructure:			
– Buildings – non-specialised		2,055	1,968
– Buildings – specialised		100	100
– Other structures		1,814	1,486
– Roads		4,025	3,981
– Bridges		61	61
– Footpaths		860	888
– Stormwater drainage		1,506	1,507
– Swimming pools		91	87
Other assets:			
– Heritage collections		7	7
– Library books		390	360
– Other		127	101
Intangible assets	12	741	702
Total depreciation and amortisation costs		13,426	12,662
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>13,426</u>	<u>12,662</u>

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

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

Impairment of non-financial assets

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Accounting policy for depreciation, amortisation and impairment expenses (continued)

Impairment of financial assets

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

\$ '000	2018	2017
(e) Other expenses		
Advertising	315	281
Agency personnel	1,343	991
Bad and doubtful debts	138	134
Bank charges	104	104
Computer software charges	1,133	1,035
Contributions/levies to other levels of government		
– Department of planning levy	168	164
– Emergency services levy	133	149
– NSW fire brigade levy	1,452	1,387
– Waste levy	2,875	3,065
Councillor expenses – mayoral fee	41	42
Councillor expenses – councillors' fees	165	152
Councillors' expenses (incl. mayor) – other (excluding fees above)	26	2
Donations, contributions and assistance to other organisations (Section 356)		
– Donations, contributions and assistance	374	480
Election expenses	435	–
Electricity and heating	961	863
Fuel and oil	409	371
Insurance – excess	113	54
Insurance – premiums	1,051	1,129
Motor vehicle registrations	118	104
Postage	155	153
Printing and stationery	165	153
Strata levies	52	58
Street lighting	1,050	1,151
Subscriptions and publications	423	350
Telephone and communications	487	494
Valuation fees	118	113
Water	437	423
Other	828	611
TOTAL OTHER EXPENSES	15,069	14,013

Accounting policy for other expenses

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		90	279
Less: carrying amount of property assets sold/written off		(169)	(441)
Net gain/(loss) on disposal		(79)	(162)
Plant and equipment	10		
Proceeds from disposal – plant and equipment		910	890
Less: carrying amount of plant and equipment assets sold/written off		(869)	(833)
Net gain/(loss) on disposal		41	57
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(280)	(160)
Net gain/(loss) on disposal		(280)	(160)
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		138,876	119,649
Less: carrying amount of financial assets sold/redeemed/matured		(138,876)	(119,649)
Net gain/(loss) on disposal		–	–
Other			
Proceeds from disposal – Other		21	–
Less: carrying amount of Other assets sold/written off		–	(102)
Net gain/(loss) on disposal		21	(102)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(297)	(367)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	6,802	1,147
Cash-equivalent assets		
– Deposits at call	1,574	4,369
Total cash and cash equivalents	8,376	5,516

Accounting policy for cash and cash equivalents

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	77,545	14,000	81,150	4,000
Total investments	77,545	14,000	81,150	4,000
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	85,921	14,000	86,666	4,000
Held to maturity investments				
Long term deposits	77,545	–	81,150	–
NCD's, FRN's (with maturities > 3 months)	–	14,000	–	4,000
Total	77,545	14,000	81,150	4,000

Accounting policy for investments**Classification**

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

(a) Held to maturity investments

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	85,921	14,000	86,666	4,000
attributable to:				
External restrictions (refer below)	44,237	14,000	46,073	4,000
Internal restrictions (refer below)	31,298	–	31,411	–
Unrestricted	10,386	–	9,182	–
	85,921	14,000	86,666	4,000

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended loans – general	3,236	3,253
External restrictions – included in liabilities	3,236	3,253
External restrictions – other		
Developer contributions – general	31,306	31,499
Specific purpose unexpended grants	6,367	851
Domestic waste management	17,129	14,155
Stormwater management	199	315
External restrictions – other	55,001	46,820
Total external restrictions	58,237	50,073
Internal restrictions		
Plant and vehicle replacement	736	861
Infrastructure replacement – parking	767	430
Employees leave entitlement	1,706	1,706
Carry over works	2,411	2,685
Deposits, retentions and bonds	12,695	11,671
Affordable housing	1,715	1,171
Building reserve	971	970
Concord library and childcare centre	849	885
Concord oval	86	86
Drummoyne oval lights reserve	55	219
Election of councillors	–	350
Energy efficiency reserve	196	200
Financial assistance grant advance	1,272	1,224
Financial sustainability	4,293	3,797
Five dock leisure centre	585	996
Investment fund	2,135	2,227
Massey park golf course	10	–
North Strathfield rail underpass	–	875
Risk management reserve	235	224
Victoria avenue childcare	16	127
Water for the community	418	280
Workers compensation	147	427
Total internal restrictions	31,298	31,411
TOTAL RESTRICTIONS	89,535	81,484

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,059	127	600	106
Interest and extra charges	68	38	53	28
User charges and fees	133	–	110	–
Private works	4	–	4	–
Accrued revenues				
– Interest on investments	991	–	996	–
Government grants and subsidies	804	–	376	–
Loans to non-profit organisations	–	–	14	–
Net GST receivable	501	–	400	–
Employee advances	31	–	37	–
General debtors	1,141	–	2,089	–
Infringements	1,038	–	844	–
Property leases	197	–	371	–
Road restorations	368	–	338	–
Total	6,335	165	6,232	134
Less: provision for impairment				
Rates and annual charges	–	(127)	–	(106)
Interest and extra charges	–	(38)	–	(28)
Other debtors	(164)	–	(104)	–
Total provision for impairment – receivables	(164)	(165)	(104)	(134)
<u>TOTAL NET RECEIVABLES</u>	<u>6,171</u>	<u>–</u>	<u>6,128</u>	<u>–</u>
Externally restricted receivables				
Domestic waste management	280	–	372	–
Stormwater management	14	–	13	–
Other				
– Grants	537	–	376	–
Total external restrictions	831	–	761	–
Internally restricted receivables				
– Affordable housing	267	–	298	–
Internally restricted receivables	267	–	298	–
Unrestricted receivables	5,073	–	5,069	–
TOTAL NET RECEIVABLES	6,171	–	6,128	–
Movement in provision for impairment of receivables				
Balance at the beginning of the year			238	66
+ new provisions recognised during the year			138	191
– amounts already provided for and written off this year			(47)	(19)
Balance at the end of the year			329	238

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	58	–	56	–
Total inventories at cost	58	–	56	–
<u>TOTAL INVENTORIES</u>	<u>58</u>	<u>–</u>	<u>56</u>	<u>–</u>
(b) Other assets				
Prepayments	195	–	201	–
<u>TOTAL OTHER ASSETS</u>	<u>195</u>	<u>–</u>	<u>201</u>	<u>–</u>
Total unrestricted assets	253	–	257	–
TOTAL INVENTORIES AND OTHER ASSETS	<u>253</u>	<u>–</u>	<u>257</u>	<u>–</u>

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Prepayments

Payments made to external parties for services to be received from them in the future. Prepayments represent existing rights to receive services.

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	2,100	–	2,100	–
Total non-current assets 'held for sale'	2,100	–	2,100	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	2,100	–	2,100	–

\$ '000	Assets 'held for sale'	
	2018	2017

(i) Reconciliation of non-current assets
'held for sale'

Opening balance	2,100	–
Plus new transfers in:		
–Transferred from Investment Property (Refer Note 11)	–	2,100
Closing balance of 'held for sale'	2,100	2,100
non-current assets and operations	2,100	2,100

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

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
				Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements P & L	Revaluation increments to equity (ARR)			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount									Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	3,725	–	3,725	–	3,393	–	–	(3,242)	–	(105)	–	3,771	–	3,771
Plant and equipment	7,642	3,500	4,142	–	1,979	(868)	(966)	–	–	–	–	7,892	3,605	4,287
Office equipment	1,050	962	88	–	17	–	(12)	–	5	–	–	1,052	954	98
Furniture and fittings	1,285	1,004	281	–	57	–	(102)	7	(18)	–	–	1,357	1,132	225
Land:														
– Operational land	68,978	–	68,978	–	–	–	–	–	–	–	94,333	163,311	–	163,311
– Community land	133,241	–	133,241	–	–	–	–	–	–	–	1,888	135,129	–	135,129
– Land under roads (pre 1/7/08)	749,824	–	749,824	–	–	–	–	–	–	–	–	749,824	–	749,824
– Land under roads (post 30/6/08)	13,092	–	13,092	–	–	–	–	–	–	–	–	13,092	–	13,092
Land improvements – depreciable	18,967	4,866	14,101	422	709	(178)	(569)	114	(18)	–	(7,889)	8,025	1,333	6,692
Infrastructure:														
– Buildings – non-specialised	145,707	55,950	89,757	1,114	2,207	(169)	(2,055)	291	126	–	9,840	160,946	59,835	101,111
– Buildings – specialised	10,519	7,246	3,273	17	–	–	(100)	–	–	–	2,413	10,140	4,537	5,603
– Other structures	138,952	93,709	45,243	517	158	(73)	(1,814)	1,409	4,109	–	45,714	136,503	41,240	95,263
– Roads	292,119	47,914	244,205	2,868	–	–	(4,025)	1,035	(18)	–	–	296,001	51,936	244,065
– Bridges	5,960	1,443	4,517	–	–	–	(61)	–	–	–	–	5,961	1,505	4,456
– Footpaths	65,429	17,592	47,837	906	54	(24)	(860)	231	–	–	–	66,576	18,431	48,145
– Stormwater drainage	132,541	58,599	73,942	498	–	(5)	(1,506)	111	–	–	–	133,144	60,105	73,039
– Swimming pools	5,436	1,291	4,145	580	–	–	(91)	44	–	–	915	12,002	6,409	5,593
Other assets:														
– Public Art	760	8	752	–	106	–	(7)	–	(20)	–	–	866	35	831
– Library books	4,397	3,228	1,169	–	392	–	(390)	–	–	–	–	4,789	3,618	1,171
– Other	5,747	989	4,758	–	782	(1)	(127)	–	(4,166)	–	–	1,437	191	1,246
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,805,371	298,301	1,507,070	6,922	9,854	(1,318)	(12,685)	–	–	(105)	147,214	1,911,818	254,866	1,656,952

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 30
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 90
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Sealed roads: surface	20	Drains	80 to 100
Sealed roads: structure	50	Culverts	50 to 80
Unsealed roads	20	Flood control structures	80 to 100
Bridge: concrete	100		
Bridge: other	50	Other infrastructure assets	
Road pavements	60	Swimming pools	50
Kerb, gutter and footpaths	40	Unsealed roads	20
		Other infrastructure	20 to 75

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

Land under roads

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

Council has elected 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.

Crown reserves

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>32,920</u>	<u>32,920</u>
Reconciliation of annual movement:		
Opening balance	32,920	24,046
– Classified as 'held for sale'	–	(2,100)
– Net gain/(loss) from fair value adjustments	–	10,974
CLOSING BALANCE – INVESTMENT PROPERTY	32,920	32,920
(b) Valuation basis		
The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.		
A revaluation of investment property land and buildings was undertaken by Southern Alliance Valuers during 2017. The revaluation was completed in March 2017 with a measurement date of 30 June 2017. Principal Valuer - Chris Stening AAPI, certified practicing valuer.		
(c) Contractual obligations at reporting date		
Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.		
(d) Leasing arrangements – Council as lessor		
The investment property are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	244	246
Later than 1 year but less than 5 years	1,032	1,042
Later than 5 years	273	276
Total minimum lease payments receivable	1,549	1,564
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	245	234
Direct operating expenses on investment property:		
– that generated rental income	(20)	(16)
Net revenue contribution from investment property	225	218
plus:		
Fair value movement for year	–	10,974
Total income attributable to investment property	225	11,192

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Investment property (continued)

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

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

Note 12. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,655	3,508
Accumulated amortisation (1/7)	(2,068)	(1,366)
Net book value – opening balance	1,587	2,142
Movements for the year		
– Purchases	–	147
– Amortisation charges	(741)	(702)
Closing values:		
Gross book value (30/6)	3,655	3,655
Accumulated amortisation (30/6)	(2,809)	(2,068)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>¹	<u>846</u>	<u>1,587</u>
¹ The net book value of intangible assets represent:		
Software and it system development costs	846	1,587
	846	1,587

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over a period of five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	759	–	1,141	–
Accrued expenses:				
– Salaries and wages	518	–	–	–
– Other expenditure accruals	2,965	–	2,700	–
Security bonds, deposits and retentions	12,695	–	11,573	–
Total payables	16,937	–	15,414	–
Income received in advance				
Payments received in advance	933	–	2,385	–
Total income received in advance	933	–	2,385	–
Borrowings				
Loans – secured ¹	490	2,676	463	3,166
Total borrowings	490	2,676	463	3,166
TOTAL PAYABLES AND BORROWINGS	18,360	2,676	18,262	3,166

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	719	–	477	–
Total payables and borrowings relating to restricted assets	719	–	477	–
Total payables and borrowings relating to unrestricted assets	17,641	2,676	17,785	3,166
TOTAL PAYABLES AND BORROWINGS	18,360	2,676	18,262	3,166

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 19.

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	8,886	8,095
	8,886	8,095

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	3,629	(463)	–	–	–	3,166
TOTAL	3,629	(463)	–	–	–	3,166

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	500	500
Credit cards/purchase cards	150	150
Total financing arrangements	650	650
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	150	150
Total undrawn financing arrangements	650	650

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	2,668	—	2,720	—
Sick leave	238	—	233	—
Long service leave	6,140	368	5,668	757
Sub-total – aggregate employee benefits	9,046	368	8,621	757
Other provisions:				
Workers compensation On Costs	178	—	—	—
Sub-total – other provisions	178	—	—	—
<u>TOTAL PROVISIONS</u>	<u>9,224</u>	<u>368</u>	<u>8,621</u>	<u>757</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

(b) Current provisions not anticipated to be settled within the next twelve months

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

	2018	2017
Provisions – employees benefits	5,472	6,703
	5,472	6,703

(c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
At beginning of year	2,720	233	6,425	9,378
Additional provisions	2,089	5	977	3,071
Amounts used (payments)	(2,141)	—	(894)	(3,035)
Total ELE provisions at end of year	2,668	238	6,508	9,414
2017				
At beginning of year	2,590	247	6,338	9,175
Additional provisions	2,023	(14)	718	2,727
Amounts used (payments)	(1,893)	—	(631)	(2,524)
Total ELE provisions at end of year	2,720	233	6,425	9,378

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions (continued)

\$ '000

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

	Workers Comp On- Cost	Other provisions Total
2018		
At beginning of year	–	–
Changes to provision:		
Other - Workers Comp On-Cost	178	178
Total other provisions at end of year	178	178
2017		
At beginning of year	57	57
Changes to provision:		
Amounts used (payments)	(57)	(57)
Total other provisions at end of year	–	–

Nature and purpose of non-employee benefit provisions

Workers Comp On-Cost

To recognise liabilities for workers compensation on-costs attributable to employee leave liability .

Accounting policy for provisions

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

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

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

Nature of prior-period error

Operational Land

Operational Land has been revalued during 2017/18. In doing so, some land parcels were discovered as having not been recorded previously.

Operational Land was last revalued in the financial year ending 30 June 2013 as part of the staged implementation of assets to be valued at fair value. The Asset Revaluation Reserve includes an amount of \$28,684,319 that was established when Operational Land was previously revalued.

The correction of a prior period error will result in an increase to the Opening Accumulated Surplus as at 1 July 2016 of \$12,186,000.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

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

Changes to the opening Statement of Financial Position at 1 July 2016

	Original Balance 1 July, 2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
Statement of Financial Position			
IPPE	1,170,268	12,186	1,182,454
Total Assets	1,291,638	12,186	1,303,824
Total Liabilities	30,123	–	30,123
Accumulated Surplus	1,112,512	12,186	1,124,698
Total equity	1,261,515	12,186	1,273,701

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
IPPE	1,494,884	12,186	1,507,070
Total assets	1,628,542	12,186	1,640,728
Total liabilities	30,806	–	30,806
Accumulated Surplus	1,141,635	12,186	1,153,821
Total equity	1,597,736	12,186	1,609,922

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	8,376	5,516
Balance as per the Statement of Cash Flows		8,376	5,516
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		11,399	29,123
Adjust for non-cash items:			
Depreciation and amortisation		13,426	12,662
Net losses/(gains) on disposal of assets		297	367
Non-cash capital grants and contributions		–	(1,882)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– investment property		–	(10,974)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(134)	569
Increase/(decrease) in provision for doubtful debts		91	172
Decrease/(increase) in inventories		(2)	(31)
Decrease/(increase) in other assets		6	102
Increase/(decrease) in payables		(382)	386
Increase/(decrease) in other accrued expenses payable		783	(992)
Increase/(decrease) in other liabilities		(330)	1,581
Increase/(decrease) in employee leave entitlements		36	203
Increase/(decrease) in other provisions		178	(57)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		25,368	31,229
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		–	1,882
Total non-cash investing and financing activities		–	1,882

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Commitments for expenditure

\$ '000	2018	2017
(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	428	930
Recreational projects	899	4,504
Roads, bridges and footpaths	1,110	2,575
Stormwater drainage	—	145
Seawalls	—	680
Other	—	42
Total commitments	2,437	8,876
These expenditures are payable as follows:		
Within the next year	2,437	8,876
Total payable	2,437	8,876
Sources for funding of capital commitments:		
Unrestricted general funds	—	672
Future grants and contributions	72	142
Section 7.11 and 64 funds/reserves	266	3,299
Unexpended grants	70	110
Externally restricted reserves	567	664
Internally restricted reserves	1,462	3,591
Unexpended loans	—	253
Stormwater Levy	—	145
Total sources of funding	2,437	8,876

Details of capital commitments

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

(b) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	460	281
Later than one year and not later than 5 years	1,840	1,124
Total non-cancellable operating lease commitments	2,300	1,405

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

Computers, printers, copiers, servers and other IT hardware.

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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) 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.

(ii) 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.

(iii) Other Guarantees

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

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S7.11 and S7.12 Plans

Council levies section S7.11 and S7.12 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.

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. 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	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	8,376	5,516	8,376	5,516
Investments				
– 'Held to maturity'	91,545	85,150	91,545	85,150
Receivables	6,171	6,128	5,816	6,128
Total financial assets	106,092	96,794	105,737	96,794
Financial liabilities				
Payables	16,937	15,414	16,938	15,414
Loans/advances	3,166	3,629	3,386	3,927
Total financial liabilities	20,103	19,043	20,324	19,341

Fair value is determined as follows:

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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	
	Surplus	Equity	Surplus	Equity
2018				
Possible impact of a 1% movement in interest rates	999	999	(999)	(999)
2017				
Possible impact of a 1% movement in interest rates	907	907	(907)	(907)

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	20%	0%	45%
Overdue	100%	80%	100%	55%
	100%	100%	100%	100%

(ii) Ageing of receivables – value**Rates and annual charges**

	2018	2017
< 1 year overdue	583	560
1 – 2 years overdue	116	45
2 – 5 years overdue	75	90
> 5 years overdue	57	11
	1,186	706

Other receivables

	2018	2017
Current	4,320	2,553
0 – 30 days overdue	419	2,295
31 – 60 days overdue	336	372
61 – 90 days overdue	75	360
> 91 days overdue	164	80
	5,314	5,660

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 19. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	12,695	4,243	–	–	16,938	16,937
Loans and advances	5.60%	–	660	2,640	426	3,726	3,166
Total financial liabilities		12,695	4,903	2,640	426	20,664	20,103
2017							
Trade/other payables	0.00%	11,573	3,841	–	–	15,414	15,414
Loans and advances	5.60%	–	660	2,640	1,086	4,386	3,629
Total financial liabilities		11,573	4,501	2,640	1,086	19,800	19,043

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 06 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	51,216	51,003	(213)	(0%)	U
User charges and fees	14,464	18,138	3,674	25%	F
* User charges and fees exceeded original budget by \$3.7M. Council collected more fees for Restorations (\$1.7M) Halls and Meeting Rooms (\$492K), Planning Fees (\$450K), Hoardings (\$428K), and Construction Zones (\$120K) than originally anticipated.					
Interest and investment revenue	2,401	2,702	301	13%	F
* Interest revenue exceeded original budget by \$290K as a result of more funds being available to invest than anticipated.					
Other revenues	8,251	9,432	1,181	14%	F
Operating grants and contributions	4,495	5,348	853	19%	F
* Two instalments of the 2018/19 Financial Assistance Grant were brought forward and paid in June 2018. The advance payment of \$1.272M has been reserved for expenditure in the 2018/19 financial year.					
Capital grants and contributions	4,254	11,377	7,123	167%	F
* Funding under the NSW Government's precinct Support Scheme for the River Activation and Foreshore Upgrade project at Mcllwaine Park / Brays Bay was paid in June 2018. The payment of \$5M has been reserved and will fund staged works from 2018/19 to 2021/22.					

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	35,299	34,954	345	1% F
Borrowing costs	197	197	—	0% F
Materials and contracts	22,974	22,658	316	1% F
Depreciation and amortisation Increase in the depreciable value of assets	10,981	13,426	(2,445)	(22%) U
Other expenses	14,859	15,069	(210)	(1%) U
Net losses from disposal of assets	—	297	(297)	0% U
* Disposal of Infrastructure Assets decommissioned as a result of replacements assets being constructed as part of the 2017/18 Renewal Program.				

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

Cash flows from operating activities	13,481	25,368	11,887	88.2% F
* The Original Budget did not account for the favourable cash flows as detailed in the explanations provided above for "Interest and Investment Revenue", "User Fees and Charges" and "Operating and Capital Grants and Contributions."				
Cash flows from investing activities	(13,018)	(22,045)	(9,027)	69.3% U
* Greater than anticipated purchase of Term Deposit Investments with maturities greater than 90 days.				
Cash flows from financing activities	(463)	(463)	—	0.0% F

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. 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:

		Fair value measurement hierarchy			
30 June 2018	Date of latest valuation	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Investment properties	30/6/17	–	32,920	–	32,920
Infrastructure, property, plant and equipment (IPP&E)					
– Plant and equipment	30/6/15	–	–	4,287	4,287
– Office Equipment	30/6/15	–	–	98	98
– Furniture & Fittings	30/6/15	–	–	225	225
– Operational land	30/6/18	–	163,311	–	163,311
– Community land	30/6/17	–	–	135,129	135,129
– Land under roads	30/6/17	–	–	762,916	762,916
– Land Improvements	30/6/18	–	–	6,692	6,692
– Buildings	30/6/18	–	–	106,714	106,714
– Other structures	30/6/18	–	–	95,263	95,263
– Roads, bridges, footpaths	30/6/15	–	–	296,666	296,666
– Swimming pools	30/6/18	–	–	5,593	5,593
– Storm water drainage	30/6/15	–	–	73,039	73,039
– Public Art	30/6/15	–	–	831	831
– Library Books	30/6/15	–	–	1,171	1,171
– Other assets	30/6/18	–	–	5,017	5,017
Total IPP&E		–	163,311	1,493,641	1,656,952
Total Investment Property and IPP&E			196,231	1,689,872	1,689,872

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

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

30 June 2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment properties	30/6/17	–	32,920	–	32,920
Infrastructure, property, plant and equipment (IPP&E)					
– Plant and equipment	30/6/15	–	–	4,142	4,142
– Office equipment	30/6/15	–	–	88	88
– Furniture & Fittings	30/6/15			281	281
– Operational land	30/6/13	–	56,792	–	56,792
– Community land	30/6/17	–		133,241	133,241
– Land under roads	30/6/17	–	–	762,916	762,916
– Land Improvements - Depreciable	30/6/15	–	–	14,101	14,101
– Buildings (specialised and non-specialised)	30/6/13	–	–	93,030	93,030
– Other structures	30/6/15			45,243	45,243
– Roads, bridges, footpaths	30/6/15	–	–	296,559	296,559
– Swimming pools	30/6/13	–	–	4,145	4,145
– Stormwater drainage	30/6/15	–	–	73,942	73,942
– Other assets	30/6/13	–	–	10,404	10,404
Total (IPP&E)		–	56,792	1,438,092	1,494,884
Total Investment Property and IPP&E			89,712	1,438,092	1,527,804

(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.

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

(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:

Investment properties

Investment property comprises land and /or buildings that are principally held for long-term rental yields, capital gains, or both, that is not occupied by Council. Full revaluations are carried out every three years by a member of the Australian Property Institute with an appropriate index utilised each year in between the full revaluations.

A revaluation of Council's Investment Properties by Southern Alliance Valuers was performed for 30 June 2017. On an annual basis, Council reviews relevant indices in between the full revaluations, as a potential indicator to assess whether assets are not at fair value. The last full revaluation of Council's Investment Properties was as at 30 June 2017 and was determined by Southern Alliance Valuers. The value of investment property as at 30 June 2017 was determined using the market approach.

All investment property valuations are included in level 3 of the fair value hierarchy.

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

Council's non-current assets are revalued at a minimum, every five years. Councils engage external, independent, qualified valuers to determine the fair value of their land, buildings, other structures, infrastructure and major plant on a regular basis. Annual reviews are undertaken to determine whether the carrying amount of the asset is materially different from the existing fair values. If any variation is considered material, a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation utilising appropriate indices.

Changes in fair values with Level 2 and 3 inputs are analysed at the end of each reporting period and discussed between the relevant department heads, valuation firm, audit committee and auditors, where considered necessary.

Plant & Equipment, Office equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings assets are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items.

These asset categories include:

- Plant & Fleet
- Major Plant Items – tractors, street sweepers, tippers, rollers, and back hoes.
- Minor Plant and Equipment Items – generators, mowers, weed harvester, trailers, chainsaws, and power hand tools
- Fleet Vehicles – trucks, commercial vehicles and passenger vehicles
- Office Equipment – communications equipment and photocopiers
- Furniture & Fittings – work stations, storage cabinets, tables and chairs

The unobservable level 3 inputs used include:

- Straight line pattern of consumption
- Useful life
- Residual value where applicable

Council reviews the value of these assets based on the gross replacement cost of similar assets.

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

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

Land (Operational, Community, Land under roads and Land Improvements)

A comprehensive valuation of Operational land was undertaken by Scott Fullarton Valuations Pty Ltd as at 30 June 2018.

Operational Land has been valued at market value, having regard to the “highest and best use”, after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre.

Community land valuations are based on the Valuer General's most recent valuation of land for rating purposes. The Valuer General's valuations reflect the restricted use of Community Land.

Land Under Roads is valued based the latest Valuer General's Valuation of Base Date of 1/7/16. A discounted municipal average of \$185.55 per square meter representing a discount of 90% of Municipal Average of Land Values reflects the restricted nature of Land Under Roads. The 90% discounting method relates to the Englobo valuation methodology.

Land Improvements – Depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. Land Improvements were valued using the cost approach in collaboration between Assetic (Asset Management Consultants) and Council's experienced engineering staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of patterns of consumption, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were all classified as having been valued using Level 3 valuation inputs.

Buildings

A comprehensive valuation of Buildings was undertaken by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, API Membership No 67557 as at 30 June 2018 using the cost approach.

The Gross Value of each building is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. While all buildings were physically inspected, inputs such as estimates of patterns of consumption, asset condition and useful life required extensive professional judgement.

The key unobservable input is the rate per square metre which has been benchmarked to construction costs of similar properties across the industry.

This asset class is categorised as level 3 as some of the inputs used in the valuation of these assets require significant professional judgment and are unobservable.

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

Other Structures

This asset class comprises sea wall, marine structures, retaining walls, playground equipment, sports field lighting, shade shelters, fencing, and other structures which did not meet the definition of a building.

Other Structures were valued using the cost approach in collaboration between Assetic (Asset Management Consultants)

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

and Council's experienced engineering staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of patterns of consumption, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were all classified as having been valued using Level 3 valuation inputs.

Roads, Bridges and Footpaths

The road carriageway is defined as the trafficable portion of a road, between, but not including the kerb and gutter. This asset class includes Footpaths, Kerb and Gutter, Roundabouts, Speed humps, Traffic calming devices, Street Furniture, Bus Shelters and Guard rail fencing.

Council's roads are componentised into surface and pavement and further separated into segments for inspection and valuation. Footpaths and Kerb and Gutter are segmented to match the adjacent road segment where possible.

The cost approach was utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimated pattern of consumption, asset condition and useful life, requiring extensive professional judgement, impacted significantly on the final determination of fair value.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Swimming Pools

Assets within this class comprise Cabarita Swimming Centre and Drummoyne Swimming Centre. The pools were valued by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, API Membership No 67557 as at 30 June 2018 using the cost approach as at 30 June 2018.

The Gross Value of each building is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. While the swimming centres were physically inspected, inputs such as estimates of patterns of consumption, asset condition and useful life required extensive professional judgement.

The key unobservable input is the rate per square metre which has been benchmarked to construction costs of similar properties across the industry.

This asset class is categorised as level 3 as some of the inputs used in the valuation of these assets require significant professional judgement and are unobservable.

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

Stormwater Drainage

The Stormwater Drainage asset class consists of basins, pits and pipes, gross pollutant traps, open channels and culverts. The valuation for this asset class was performed by the Council's internal engineering team. The gross value of the infrastructure assets are determined using rates stipulated in contracts with third party suppliers, which is a key observable input.

Stormwater Drainage assets were last valued as at 30 June 2015. The valuations also included assessment of the overall useful life of each type of asset and the subsequent determination of the remaining useful life of each asset.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

Other Assets – Library Books'

Assets included in this asset category consist of library books, Ebooks, Online journals, magazines, CDs and

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

DVDs which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. There are no major variances between the fair value and carrying amount of these assets. Therefore these assets are disclosed at fair value in the notes.

Whilst these assets are recognised at cost with supporting supplier invoices (observable input), the remaining significant inputs (useful life, pattern of consumption, and asset condition) are unobservable and therefore categorised as level 3.

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

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

(4). Fair value measurements using significant unobservable inputs (Levels 2 and 3)

a. (1) The following table presents the changes in Level 2 and Level 3 Fair Value Asset Classes for IPP&E:

	Plant & Equip, Office Equipment, Furn & Fittings	Operational Land	Community Land	Land under roads	Land Improvements - Depreciable	Buildings	Other Structures	Roads bridges footpaths	Swimming Pools	Stormwater drainage	Other assets	Total
Opening Balance 1/7/16	4,496	69,216	133,241	455,818	10,954	69,444	45,640	288,439	4,048	74,526	26,632	1,182,454
Purchases (GBV)	1,793	-	-	-	797	11,019	909	10,827	184	881	4,698	31,108
Disposals (WDV)	(935)	(250)	-	-	-	(191)	(45)	(71)	-	(44)	-	(1,536)
Depreciation and Impairment	(882)	-	-	-	(532)	(2,068)	(1,486)	(4,930)	(87)	(1,507)	(468)	(11,960)
Revaluation	-	-	-	307,098	-	-	-	-	-	-	-	307,098
Transfers	39	12	-	-	2,882	14,826	225	2294	-	86	(20,458)	(94)
Closing Balance 30/6/17	4,511	68,978	133,241	762,916	14,101	93,030	45,243	296,559	4,145	73,942	10,404	1,507,070
Purchases (GBV)	2,053	-	-	-	1,131	3,338	675	3,829	580	497	4,673	16,776
Disposals (WDV)	(868)	-	-	-	(178)	(169)	(73)	(24)	-	(5)	(1)	(1,318)
Depreciation and Impairment	(1,080)	-	-	-	(569)	(2,155)	(1,814)	(4,946)	(91)	(1,506)	(524)	(12,685)
Revaluation	-	94,333	1,888	-	(7,889)	12,253	45,714	-	915	-	-	147,214
Transfers	(6)	-	-	-	96	417	5,518	1,248	44	111	(7,533)	(105)
Closing Balance 30/6/18	4,610	163,311	135,129	762,916	6,692	106,714	95,263	296,666	5,593	73,039	7,019	1,656,952

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

	Investment Property Total
Opening Balance 1/7/16	24,046
Purchases (GBV)	-
Disposals (WDV)	-
Depreciation and Impairment	-
Revaluation	10,974
Transfers	(2,100)
Closing Balance 30/6/17	32,920
Purchases (GBV)	-
Disposals (WDV)	-
Depreciation and Impairment	-
Revaluation	-
Transfers	-
Closing Balance 30/6/18	32,920

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

b. Significant unobservable valuation inputs used (for level 2 and 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 2 and level 3 asset class fair values.

Investment properties

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Land and Buildings	32,920	Review of market conditions by an Independent Qualified Valuer	Estimated rental value (/m2) Rental yield (per annum)

Infrastructure, Property, Plant & Equipment

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment, furniture & fittings and office equipment	4,610	Cost used to approximate fair value	Gross Replacement Cost Useful Life Residual Value Remaining useful life
Operational Land	163,311	Qualified Valuer	Price per square metre
Community Land	135,129	Land Values obtained from NSW Valuer General	Land Value, Land Area
Land under roads	762,916	Municipal average m2 rate of properties land values as determined by the NSW Valuer General, 90% discount rate, to reflect restricted nature of LUR.	Land Value, Land Area
Land improvements	6,692	Cost used to approximate fair value	Gross Replacement Cost Useful Life Asset Condition Remaining useful life
Buildings	106,714	Qualified Valuer	Gross Replacement Cost Useful Life Asset Condition Remaining useful life.
Other Structures	95,263	Cost used to approximate fair value	Gross Replacement Cost Useful Life Asset Condition Remaining useful life
Roads, bridges, footpaths	296,666	Unit rates per m2 or length	Gross Replacement Cost Useful Life Asset Condition Remaining useful life
Swimming Pools	5,593	Qualified Valuer	Gross Replacement Cost Useful Life Asset Condition Remaining useful life
Stormwater drainage	73,039	Unit rates per m2 or length	Gross Replacement Cost Useful Life Asset Condition Remaining useful life
Other Assets -Library books -Public Art -Other	7,019	Cost used to approximate fair value	Gross Replacement Cost Useful Life Residual Value Remaining useful life

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

(5). Highest and best use

The only assets valued where the highest and best use was considered different to its current use, is land zoned for locality specific purposes. 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 2018

Note 22. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. KMP include the Mayor, Councillors, General Manager and Directors.

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

Compensation:	2018	2017
Short-term benefits	1,467	1,316
Other long-term benefits	207	45
Termination benefits	—	149
Total	1,675	1,510

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

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	1,459	–	–	24	(151)	–	1,332	–
Parking	60	–	–	1	–	–	61	–
Open space	18,160	2,073	–	256	(2,279)	(367)	17,843	–
Community facilities	2,134	292	–	33	(160)	–	2,299	–
Community infrastructure	28	284	–	4	(683)	367	–	–
Administration	190	32	–	3	–	–	225	–
Other	124	–	–	2	–	–	126	–
S7.11 contributions – under a plan	22,155	2,681	–	323	(3,273)	–	21,886	–
S7.12 levies – under a plan	2,293	1,500	–	40	(882)	–	2,951	–
Total S7.11 and S7.12 revenue under plans	24,448	4,181	–	363	(4,155)	–	24,837	–
S7.4 planning agreements	7,051	–	–	232	(814)	–	6,469	–
Total contributions	31,499	4,181	–	595	(4,969)	–	31,306	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 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	16,287	2,073	–	238	(1,591)	(367)	16,640	–
Community facilities	933	292	–	16	–	–	1,241	–
Community infrastructure	28	284	–	4	(683)	367	–	–
Administration	190	32	–	3	–	–	225	–
Total	17,438	2,681	–	261	(2,274)	–	18,106	–

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	1,304	–	–	22	(151)	–	1,175	–
Parking	37	–	–	1	–	–	38	–
Open space	688	–	–	–	(688)	–	–	–
Community facilities	485	–	–	6	(155)	–	336	–
Total	2,514	–	–	29	(994)	–	1,549	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 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	155	–	–	2	–	–	157	–
Parking	23	–	–	–	–	–	23	–
Open space	1,185	–	–	18	–	–	1,203	–
Community facilities	487	–	–	8	–	–	495	–
Other	124	–	–	2	–	–	126	–
Total	1,974	–	–	30	–	–	2,004	–

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	229	–	–	3	(5)	–	227	–
Total	229	–	–	3	(5)	–	227	–

City of Canada Bay

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER XX

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					
Other	2,293	1,500	–	40	(882)	–	2,951	–
Total	2,293	1,500	–	40	(882)	–	2,951	–

S7.4 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	529	–	–	8	–	–	537	–
Rhodes general	3,622	–	–	49	(626)	–	3,045	–
Canada Bay general	1,540	–	–	154	(188)	–	1,506	–
Breakfast Point	1,360	–	–	21	–	–	1,381	–
Total	7,051	–	–	232	(814)	–	6,469	–

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	319	0.37%	6.99%	6.04%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	86,623				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	81,275	82.93%	80.16%	78.86%	> 60.00%
Total continuing operating revenue ⁽¹⁾	98,000				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	49,377	3.95x	4.16x	3.50x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	12,507				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	13,942	21.12x	28.64x	24.82x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	660				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,127	2.18%	1.28%	1.31%	< 5% metro
Rates, annual and extra charges collectible	51,771				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	85,921	12.27 mths	12.9 mths	12.8 mths	> 3 mths
Payments from cash flow of operating and financing activities	7,001				

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 Notes 13 and 14.

⁽⁴⁾ Refer to Note 13(b) and 14(b) – 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 2018

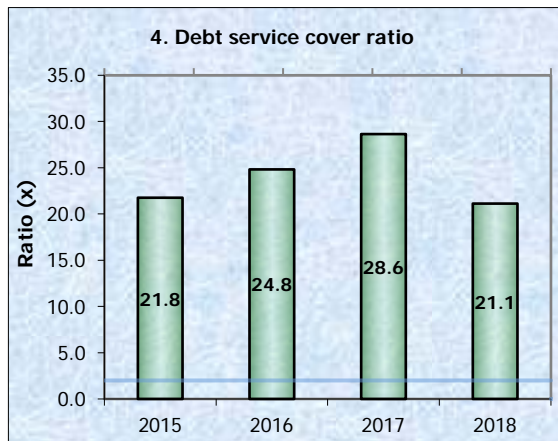
Note 24(b). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 0.37%</p> <p>This ratio remains at better than benchmark. The reduced result impacted by the cost of the 2017 Council election (\$417K) and increased Depreciation expense of \$764K. The prior year result included \$2M of additional income relating to the Financial Assistance Grant and Roads to Recovery funding.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 82.93%</p> <p>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.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 3.95x</p> <p>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.</p>

City of Canada Bay

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24(b). Statement of performance measures – consolidated results (graphs)

Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of debt service cover ratio

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

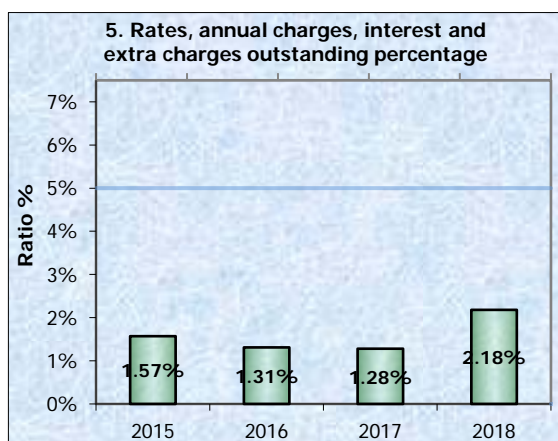
Commentary on 2017/18 result**2017/18 ratio 21.12x**

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.



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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.

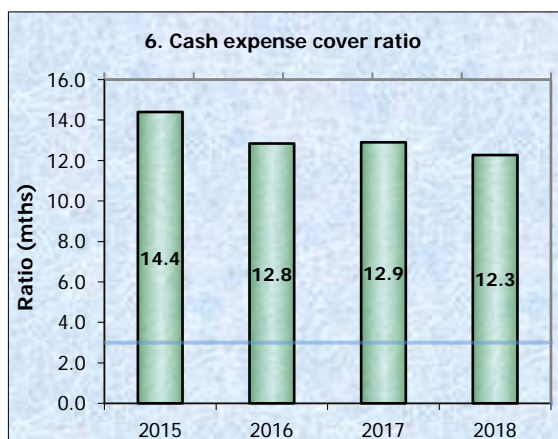
Commentary on 2017/18 result**2017/18 ratio 2.18%**

The result is well within Council's target of 3% and is significantly better than the industry benchmark for Urban Councils of 5%. The ratio reflects uncollected rates and charges as at 30 June of \$1,127K. A provision for Doubtful Rates of \$165K corresponds to the total amount outstanding for a number of Strata Lots considered to be of lesser value than the amount of rates outstanding.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result**2017/18 ratio 12.27 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 14.65 months without additional cash inflow.



Ratio achieves benchmark

Ratio is outside benchmark

City of Canada Bay

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	51,003	50,281	49,627	47,525	45,367
User charges revenue	18,138	16,199	13,709	13,263	12,003
Interest and investment revenue (losses)	2,702	2,669	3,954	2,925	2,744
Grants income – operating and capital	11,079	7,559	5,728	4,855	5,605
Total income from continuing operations	98,000	109,622	98,569	99,970	91,455
Sale proceeds from IPP&E	1,021	1,169	5,214	2,863	444
New loan borrowings and advances	–	–	–	–	5,000
Outflows:					
Employee benefits and on-cost expenses	34,954	32,691	30,673	28,545	28,240
Borrowing costs	197	222	248	270	114
Materials and contracts expenses	22,658	20,544	20,648	20,900	20,428
Total expenses from continuing operations	86,601	80,499	76,667	73,758	72,653
Total cash purchases of IPP&E	16,671	29,279	34,663	17,668	20,056
Total loan repayments (incl. finance leases)	463	438	412	390	499
Operating surplus/(deficit) (excl. capital income)	22	16,626	7,682	8,101	1,278
Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	94,445	95,151	90,182	91,208	74,557
Current liabilities	27,584	26,883	26,103	24,301	23,771
Net current assets	66,861	68,268	64,079	66,907	50,786
Available working capital (Unrestricted net current assets)	483	(616)	(3,882)	4,289	1,392
Cash and investments – unrestricted	10,386	9,182	5,541	10,487	10,175
Cash and investments – internal restrictions	31,298	31,411	27,320	15,624	14,058
Cash and investments – total	99,921	90,666	87,985	86,754	70,394
Total borrowings outstanding (Loans, advances and finance leases)	3,166	3,629	4,067	4,479	4,869
Total value of IPP&E (excl. land and earthwork)	850,462	840,236	811,510	781,316	750,534
Total accumulated depreciation	254,866	298,301	287,331	277,990	283,535
Indicative remaining useful life (as a % of GBV)	70%	64%	65%	64%	62%

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 2018

Note 26. Council information and contact details

Principal place of business:

1A Marlborough Street
Drummoyne NSW 2047

Contact details
Mailing address:

Locked Bag 1470
Drummoyne NSW 2047

Opening hours:

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

Telephone: 02 9911 6555

Facsimile: 02 9911 6550

Internet: www.canadabay.nsw.gov.au

Email: council@canadabay.nsw.gov.au

Officers
GENERAL MANAGER

Mr Peter Gainsford

RESPONSIBLE ACCOUNTING OFFICER

Mr Bob Pigott

PUBLIC OFFICER

Mr Bob Pigott

AUDITORS

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

Elected members
MAYOR

Cr. Angelo Tsirekas

COUNCILLORS

Cr. Stephanie Di Pasqua
Cr. Andrew Ferguson
Cr. Charles Jago
Cr. Julia Little
Cr. Michael Megna
Cr. Marian Parnaby
Cr. Daniela Ramondino
Cr. Nick Yap

Other information

ABN: 79 130 029 350



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

City of Canada Bay Council

To the Councillors of the City of Canada Bay Council

Opinion

I have audited the accompanying financial report of City of Canada Bay Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

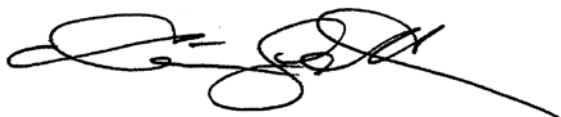
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink, appearing to read 'Alison Gatt', with a long horizontal line extending to the right.

Alison Gatt
Assistant Auditor-General, Financial Audit Services

18 October 2018
SYDNEY

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

Contact: Alison Gatt
Phone no: 02 9275 7226
Our ref: D1824851/1707

19 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
City of Canada Bay Council**

I have audited the general purpose financial statements of the City of Canada Bay Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	51.0	50.3	1.4
Grants and contributions revenue	16.7	19.6	14.7
Operating result for the year	11.4	29.1	60.8
Net operating result before capital amounts	-	16.6	100

Council's operating result (\$11.4 million including the effect of depreciation and amortisation expense of \$13.4 million) was \$17.7 million lower than the 2016–17 result. This is mainly due to a decrease of \$11.0 million in fair value increments on investment properties (relating to the 2016–17 revaluation), an increase of \$2.3 million in employee benefits and on-costs and an increase of \$2.1 million in materials and contracts expense during 2017–18.

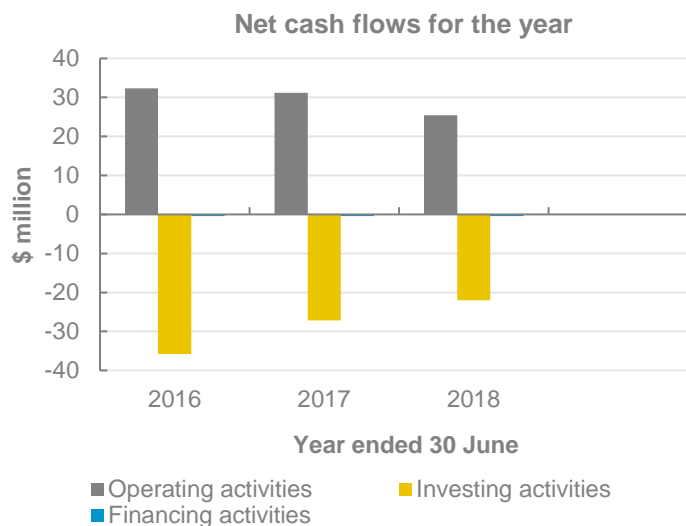
The net operating result before capital grants and contributions was nil in 2017–18, \$16.6 million lower than the 2016–17 result. This is mainly due to a decrease of \$11.0 million in fair value increments on investment properties, an increase of \$2.3 million in employee benefits and on-costs and an increase of \$2.1 million in materials and contracts expense.

Rates and annual charges revenue (\$51.0 million) increased by \$0.7 million (1.4 per cent) in 2017–2018. This increase is due to Council receiving a 1.5 per cent rate peg increase during the year.

Grants and contributions revenue (\$16.7 million) decreased by \$2.9 million (14.7 per cent) in 2017–2018 mainly due to lower Financial Assistance Grants and Roads to Recovery Grants received during the year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased from \$5.5 million to \$8.4 million at 30 June 2018.



Operating activities contributed net cash inflow of \$25.4 million (2017: \$31.2 million). There were also proceeds from the sale of investment securities of \$138.9 million (2017: \$119.7 million). Cash outflows from investing activities was \$5.2 million lower in 2017–18, mainly due to Council purchasing \$145 million in investment securities (\$118 million in 2016–17) and selling \$138.9 million in investment securities (\$119.7 million in 2016–17). As a result, investments decreased during the current financial year to \$77.6 million (2017: \$81.2 million).

FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	58.2	50.1	Cash and investments amounted to \$99.9 million at 30 June 2018 (2017: \$90.7 million). The increase mainly relates to cash which is externally restricted, specifically increases in specific purpose unexpended grants and domestic waste management of \$5.1 million and \$3.0 million respectively.
Internal restrictions	31.3	31.4	
Unrestricted	10.4	9.2	
Cash and investments	99.9	90.7	

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

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$31.3 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$10.4 million, which is available to provide liquidity for day to day operations.

Debt

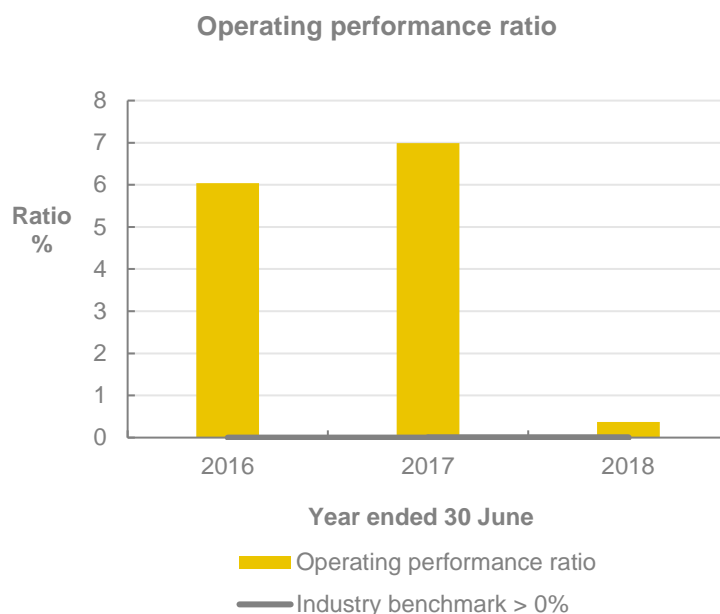
After repaying principal and interest of \$463,000 during the financial year, total debt as at 30 June 2018 was \$3.2 million (2017: \$3.6 million).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 24 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

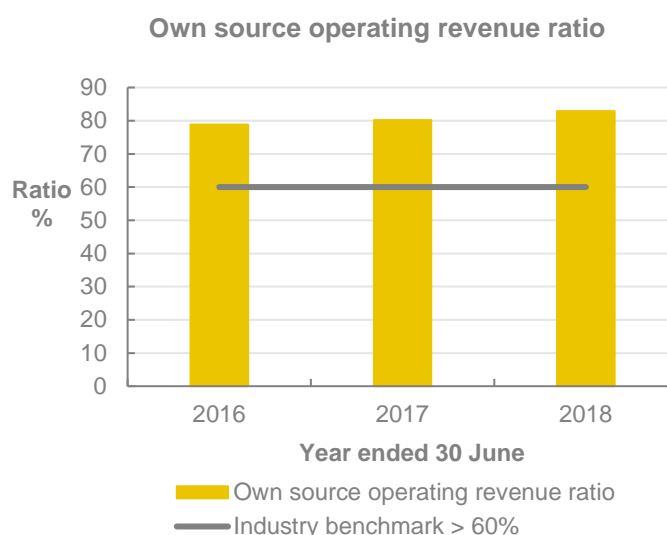
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Council's operating performance indicator of 0.4 per cent decreased from the 2017 indicator of 7.0 per cent. Last year's indicator included \$11 million in fair value increments of investment properties, which did not occur in 2017–18.

Own source operating revenue ratio

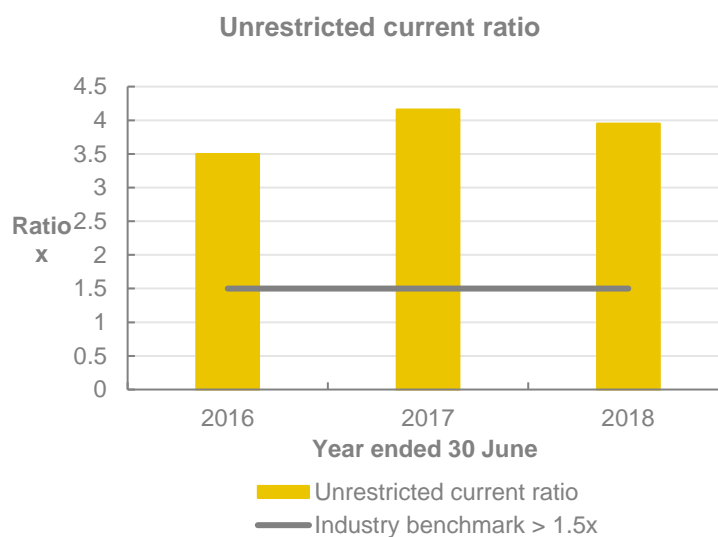
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio was 82.9 per cent in 2017–18 (2017: 80.2 per cent), exceeding the benchmark of 60 per cent.

Unrestricted current ratio

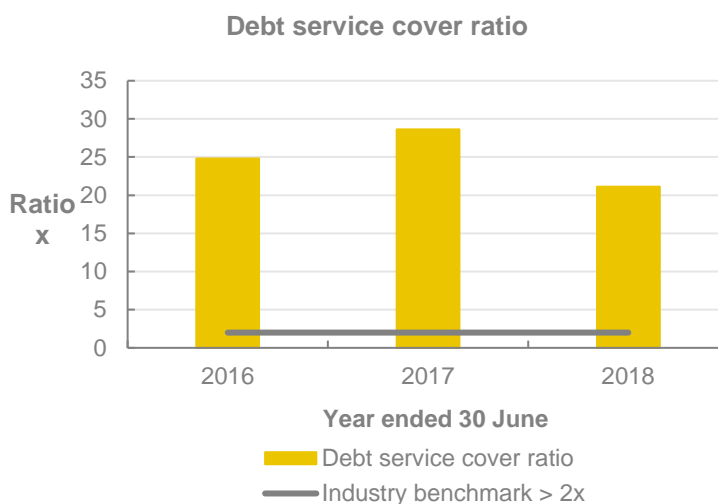
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio slightly decreased to 4.0 as at 30 June 2018 (2017: 4.2) and exceeded the benchmark of 1.5 times.

Debt service cover ratio

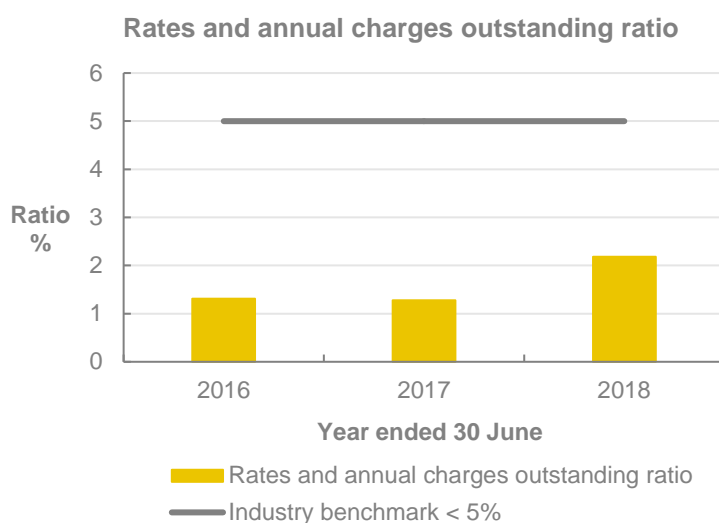
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2018 was 21.1 (2017: 28.6). This decrease is mainly due to Council's decrease in operating result before capital grants, depreciation, impairment and amortisation of \$9.5 million.

Rates and annual charges outstanding ratio

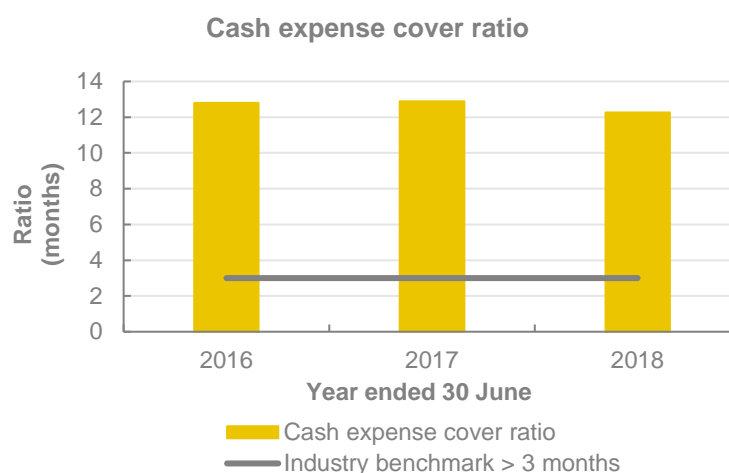
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



The rates and annual charges outstanding ratio was 2.2 per cent at 30 June 2018 (2017: 1.3 percent) and continues to be lower than the industry benchmark of 5 per cent. Council has continued to achieve a ratio of below the 5 percent benchmark. Management attribute this result to actively pursuing the recovery of outstanding amounts.

Cash expense cover ratio

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

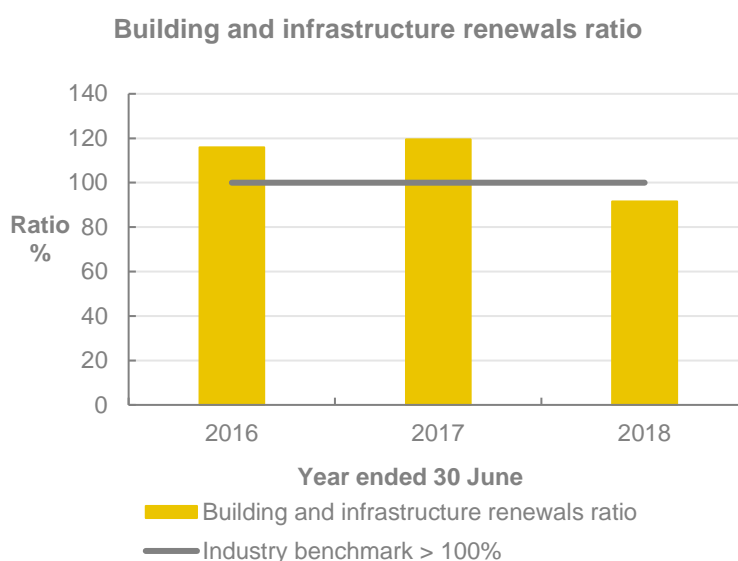


Council's cash expense cover ratio was 12.3 months (2017: 13.0 months) and exceeds the benchmark of three months.

Building and infrastructure renewals ratio (unaudited)

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

This ratio is sourced from Council's Special Schedule 7 which has not been audited.



Special Schedule No. 7 disclosed infrastructure renewals for 2018 represented 91.5 per cent (2017: 119.5 per cent), which is below the benchmark of 100 per cent.

OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 13.

Asset revaluations

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, operational land, buildings and infrastructure assets were revalued. This resulted in a net increase of \$147 million recognised in the Infrastructure, Property, Plant and Equipment Reserve and disclosed in the Statement of Changes in Equity.

Prior period error

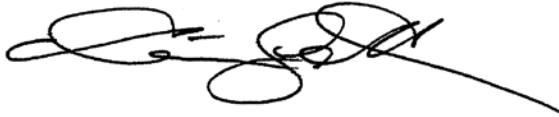
During the revaluation process for 2017–18, operational land parcels totalling \$12.2 million were identified as not being previously recorded by Council. The error has been corrected by restating the beginning balances of relevant affected line items in the Statement of Financial Position for the earliest prior period, being 1 July 2016 and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of the error.

Legislative compliance

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

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



Alison Gatt
Assistant Auditor-General, Financial Audit Services

cc: Mr Peter Gainsford, General Manager
Mr Dennis Vaccher, Chair of the Audit and Risk Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

City of Canada Bay

SPECIAL SCHEDULES

for the year ended 30 June 2018

“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 2018

Contents	Page
Special Schedules ¹	
Special Schedule 1	Net Cost of Services
	2
Special Schedule 2	Permissible income for general rates
	4
Special Schedule 2	Independent Auditors Report
	5
Special Schedule 7	Report on Infrastructure Assets
	7

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	385	2	–	(383)
Administration	3,661	4,160	4,225	4,724
Public order and safety				
Fire service levy, fire protection, emergency services	1,614	–	–	(1,614)
Beach control	–	–	–	–
Enforcement of local government regulations	3,274	5,436	–	2,162
Animal control	–	56	–	56
Other	5	–	–	(5)
Total public order and safety	4,893	5,492	–	599
Health	624	227	–	(397)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	2,712	111	5,045	2,444
Solid waste management	11,466	14,838	17	3,389
Street cleaning	2,702	–	–	(2,702)
Drainage	1,893	–	–	(1,893)
Stormwater management	280	726	–	446
Total environment	19,053	15,675	5,062	1,684
Community services and education				
Administration and education	1,083	73	–	(1,010)
Social protection (welfare)	258	32	–	(226)
Aged persons and disabled	278	38	–	(240)
Children's services	4,986	2,888	–	(2,098)
Total community services and education	6,605	3,031	–	(3,574)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	817	–	–	(817)
Street lighting	1,712	164	–	(1,548)
Town planning	5,193	1,856	–	(3,337)
Other community amenities	559	709	–	150
Total housing and community amenities	8,281	2,729	–	(5,552)

City of Canada Bay

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	6,000	317	—	(5,683)
Museums	40	—	—	(40)
Art galleries	—	—	—	—
Community centres and halls	2,940	1,162	—	(1,778)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	1,379	215	—	(1,164)
Sporting grounds and venues	8,878	4,094	1,156	(3,628)
Swimming pools	1,268	47	—	(1,221)
Parks and gardens (lakes)	2,347	440	20	(1,887)
Other sport and recreation	5,581	1,790	500	(3,291)
Total recreation and culture	28,433	8,065	1,676	(18,692)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	1,282	431	—	(851)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	1,282	431	—	(851)
Transport and communication				
Urban roads (UR) – local	6,216	3,689	218	(2,309)
Urban roads – regional	468	—	—	(468)
Sealed rural roads (SRR) – local	—	—	—	—
Sealed rural roads (SRR) – regional	—	—	—	—
Unsealed rural roads (URR) – local	—	—	—	—
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	35	—	—	(35)
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	26	—	—	(26)
Parking areas	273	757	—	484
Footpaths	3,301	454	34	(2,813)
Aerodromes	—	—	—	—
Other transport and communication	1,744	64	162	(1,518)
Total transport and communication	12,063	4,964	414	(6,685)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	1,321	120	—	(1,201)
Total economic affairs	1,321	120	—	(1,201)
Totals – functions	86,601	44,896	11,377	(30,328)
General purpose revenues ⁽¹⁾		41,727		41,727
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	86,601	86,623	11,377	11,399

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	37,426	36,600
Plus or minus adjustments ⁽²⁾	b	158	272
Notional general income	c = (a + b)	37,584	36,872
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	864	553
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	k = (c + g + h + i + j)	38,448	37,425
Plus (or minus) last year's carry forward total	l	6	11
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	6	11
Total permissible income	o = k + n	38,454	37,436
Less notional general income yield	p	38,444	37,426
Catch-up or (excess) result	q = o - p	10	10
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	(6)	(4)
Carry forward to next year	t = q + r - s	4	6

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

City of Canada Bay Council

To the Councillors of City of Canada Bay Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of City of Canada Bay Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information.

At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Alison Gatt
Assistant Auditor-General, Financial Audit Services

18 October 2018
SYDNEY

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Council Offices/ Administration Centres	122	122	488	425	7,649	15,288	0%	0%	98%	0%	2%
	Childcare Centres	–	–	79	111	7,632	12,754	31%	0%	69%	0%	0%
	Community Centres	356	356	545	661	34,779	45,240	66%	7%	24%	3%	0%
	Leased/Commercial	–	–	75	87	28,744	32,186	78%	12%	10%	0%	0%
	Operational	–	–	556	403	3,690	8,607	4%	2%	94%	0%	0%
	Parks	217	217	1,368	838	18,272	44,930	30%	3%	66%	2%	0%
	Public Toilets	–	–	335	477	1,849	2,782	32%	10%	58%	0%	0%
	Leisure Centre	–	–	68	73	3,340	8,351	0%	0%	100%	0%	0%
	Other	–	–	–	–	759	948	0%	100%	0%	0%	0%
	Sub-total	695	695	3,514	3,075	106,714	171,086	42.9%	5.7%	49.9%	1.3%	0.1%
Other structures												
	Marine - Structures	–	–	40	3	4,009	5,284	44%	37%	19%	0%	0%
	Marine - Sea Walls	3,106	3,106	79	24	42,983	71,848	7%	33%	44%	14%	1%
	Parks - Civil/Landscaping	256	256	1,927	1,696	24,779	31,342	44%	22%	31%	3%	0%
	Parks - Furniture / Monuments etc	248	248	83	–	15,606	18,991	32%	45%	18%	5%	0%
	Parks - Playgrounds	12	12	122	85	44	74	31%	0%	69%	0%	0%
	Parks - Playing Fields etc	22	22	2,859	2,613	6,199	6,912	68%	23%	8%	1%	0%
	Parks - Playing Courts	27	27	236	90	1,643	2,057	11%	57%	27%	5%	0%
	Sub-total	3,671	3,671	5,346	4,511	95,263	136,508	23.6%	32.0%	34.4%	9.2%	0.8%

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Sealed Roads Surface	35	35	1,643	1,744	55,326	72,530	63%	31%	6%	0%	0%
	Road Pavement	36	36	–	–	147,250	162,518	63%	30%	6%	0%	0%
	Bridges	19	19	–	–	4,456	5,960	23%	46%	30%	0%	0%
	Footpaths/Cycleways	294	294	2,114	1,955	48,145	66,576	17%	69%	13%	1%	0%
	Kerb and Gutter	1,025	1,025	125	160	29,195	44,817	7%	25%	59%	8%	1%
	Roadside Assets	67	67	916	1,077	3,527	3,927	78%	12%	5%	3%	2%
	Traffic Facilities	108	108	640	893	7,497	10,170	15%	64%	17%	3%	0%
	Road Structures	12	12	183	29	1,270	2,039	77%	4%	17%	2%	0%
	Other	–	–	27	–	–	–	0%	0%	0%	0%	
	Sub-total	1,596	1,596	5,648	5,858	296,666	368,537	46.1%	37.7%	14.6%	1.3%	0.2%
Stormwater drainage	Drainage Reticulation	4,567	4,567	391	377	69,868	129,813	5%	11%	72%	11%	2%
	Environmental Quality Devices	–	–	–	–	3,171	3,329	100%	0%	0%	0%	0%
	Sub-total	4,567	4,567	391	377	73,039	133,142	7.3%	10.5%	70.1%	10.4%	1.8%
Open space/recreational assets	Swimming pools	–	–	417	411	5,593	12,002	0%	1%	99%	0%	0%
	Sub-total	–	–	417	411	5,593	12,002	0.0%	0.5%	99.5%	0.0%	0.0%

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
	TOTAL – ALL ASSETS	10,529	10,529	15,316	14,232	577,275	821,275	34.7%	25.1%	35.5%	4.1%	0.5%

Notes:

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

Infrastructure asset condition assessment 'key'

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

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	9,621	91.52%	119.54%	115.84%	>= 100%
Depreciation, amortisation and impairment	10,512				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	10,529	1.82%	3.49%	3.58%	< 2.00%
Net carrying amount of infrastructure assets	577,275				
3. Asset maintenance ratio					
Actual asset maintenance	14,232	92.92%	88.66%	96.35%	> 100%
Required asset maintenance	15,316				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	10,529	1.28%	2.26%	0.00%	
Gross replacement cost	821,275				

Notes

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

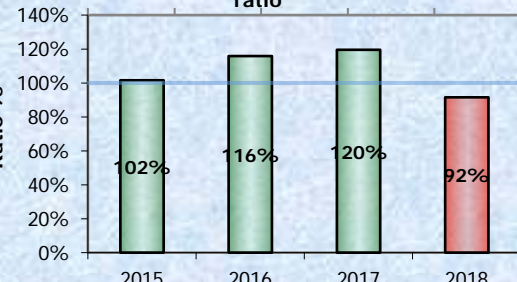
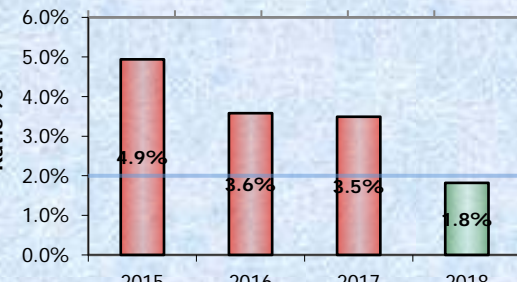
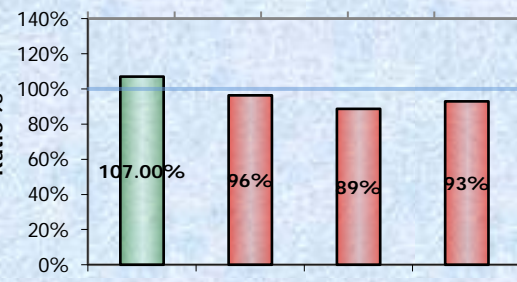
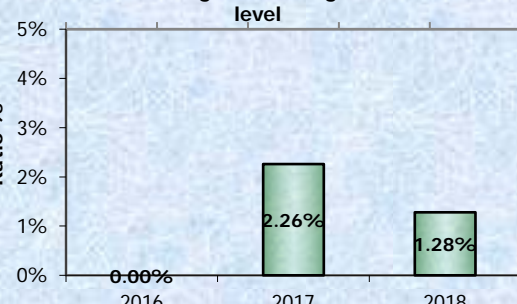
⁽¹⁾ Excludes Work In Progress (WIP)

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

City of Canada Bay

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p>  <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 91.52%</p> <p>Council's strategic asset management program is appropriately funding asset renewal.</p>
<p>2. Infrastructure backlog ratio</p>  <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 1.82%</p> <p>These results demonstrates the success of Council's strategy to invest in Asset renewals.</p>
<p>3. Asset maintenance ratio</p>  <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 92.92%</p> <p>Council's strategic asset management program is appropriately funding asset maintenance</p>
<p>4. Cost to bring assets to agreed service level</p> 	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 1.28%</p> <p>98.72% of Council's assets are to a satisfactory standard.</p>