



CAMPBELLTOWN
CITY COUNCIL



FINANCIAL STATEMENTS

2018-2019

WELCOME

Campbelltown City is the hub of one of the most significant current and future growth areas in south west Sydney – a growth that is driving infrastructure, investments and jobs.

A key strategic centre outside of Sydney CBD and Parramatta, Campbelltown-Macarthur is experiencing a hive of activity, emerging as one of Australia's fastest growing cities. The city's population is forecast to grow by approximately 68% to 273,541 by 2036 and this growth is transforming the city into a vibrant, self-sustainable, urban centre, with strong business and community partnerships.

Council has recognised that it must develop a more formal approach and involvement in the economic and business development of the city, to play a role in securing new and strategic investment into local job creation to help make Campbelltown a more sustainable community in the longer term.

Enjoying a metropolitan strategic location, extraordinary future growth potential, key urban activation anchors such as Western Sydney University, TAFE, Campbelltown Public Hospital, Western Sydney Airport and regional shopping facilities together with infrastructure investment and real capacity to develop and grow, Campbelltown City is well positioned to become the pre-eminent capital of south west Sydney.

Continuing to work closely with the NSW Government and other key stakeholders on opportunities highlighted in the Greater Macarthur Priority Growth Area (which includes the Glenfield to Macarthur Corridor Strategy) and A Plan for Growing Sydney, is a major focus for Council, particularly in relation to employment development.

The recently adopted new organisational structure supports this approach, by placing more emphasis on strategic planning for urban growth and transport, good city design, infrastructure that drives investment, and the planning and provision of key assets such as open space, community and cultural facilities.

OUR VISION

A city of choice and opportunity in a natural environment.

OUR MISSION

Deliver exceptional service to customers

- Provide best value services to the community
- Conduct all business in an ethical manner
- Consult with and engage the local community
- Be committed to continuous improvement and best practice across all aspects of business and service delivery
- Provide a safe environment for staff and visitors alike

GENERAL PURPOSE FINANCIAL REPORTS FOR THE YEAR ENDED 30 JUNE 2019

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SPECIAL PURPOSE FINANCIAL REPORTS

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General purpose financial statements for the year ended 30 June 2019

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

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

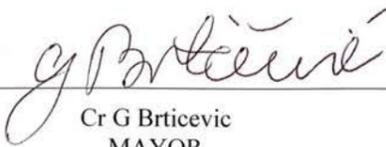
- The *Local Government Act 1993* (as amended) and the Regulations made thereunder.
- The Australian Accounting Standards and professional pronouncements.
- The Local Government Code of Accounting Practice and Financial Reporting.

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

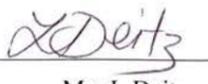
- Present fairly the Council's operating result and financial position for the year, and
- Accord with Council's accounting and other records.

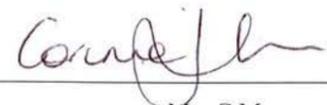
We are not aware of any matter that would render this Report false or misleading in any way.

Signed in accordance with a resolution of Council made on 6 August 2019


Cr G Brticevic
MAYOR
17/9/2019


Cr M Oates
COUNCILLOR
17/9/2019


Mrs L Deitz
GENERAL MANAGER
17/9/2019


Mrs C Mears
RESPONSIBLE ACCOUNTING OFFICER
17/9/2019

These financial statements of Campbelltown City Council and its controlled entities are presented in Australian currency.

Campbelltown City Council is constituted under the Local Government Act 1993 (as amended) and has its principal place of business at 91 Queen Street, Campbelltown, NSW 2560.

ABN 31 459 914 087

INCOME STATEMENT

for the year ended 30 June 2019

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

Original unaudited budget 2019 \$'000		Notes	Actual 2019 \$'000	Actual 2018 \$'000
Income from continuing operations				
Revenue				
110,446	Rates and annual charges	3a	113,675	106,180
17,173	User charges and fees	3b	15,437	16,802
5,457	Interest and investment revenue	3c	6,333	5,618
5,900	Other revenues	3d	6,665	5,690
19,781	Grants and contributions provided for operating purposes	3e,f	24,013	25,254
12,250	Grants and contributions provided for capital purposes	3e,f	40,720	70,321
Other income				
0	Fair value increment on investment properties	11	0	1,503
<u>171,007</u>	Total income from continuing operations		<u>206,843</u>	<u>231,368</u>
Expenses from continuing operations				
72,298	Employee benefits and on-costs	4a	67,480	61,595
754	Borrowing costs	4b	746	1,138
28,341	Materials and contracts	4c	27,287	26,123
21,294	Depreciation and amortisation	4d	24,202	21,814
0	Net loss from the disposal of assets	5	2,771	1,412
37,189	Other expenses	4e	36,712	35,545
<u>159,876</u>	Total expenses from continuing operations		<u>159,198</u>	<u>147,627</u>
<u>11,131</u>	Operating result from continuing operations		<u>47,645</u>	<u>83,741</u>
11,131	Attributable to Council		47,645	83,741
<u>(1,119)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>6,925</u>	<u>13,420</u>

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

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
Net operating result for the year from Income Statement		47,645	83,741
Other comprehensive income			
Amounts which will not be reclassified subsequently to operating result			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	10, 14	48,393	(245,956)
Total comprehensive income for the year		<u>96,038</u>	<u>(162,215)</u>
Attributable to Council		<u>96,038</u>	<u>(162,215)</u>

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6a	2,402	7,765
Investments	6b	117,013	147,863
Receivables	7	9,907	8,264
Inventories	8	376	342
Other	8	45	98
Non-current assets classified as held for sale	9	2,160	0
Total current assets		<u>131,903</u>	<u>164,332</u>
Non-current assets			
Investments	6b	114,555	68,000
Infrastructure, property, plant and equipment	10	2,274,365	2,194,508
Investment property	11	22,864	21,192
Total non-current assets		<u>2,411,784</u>	<u>2,283,700</u>
Total assets		<u>2,543,687</u>	<u>2,448,032</u>
LIABILITIES			
Current liabilities			
Payables	12	8,100	6,455
Borrowings	12	3,099	3,275
Income received in advance	12	2,570	2,464
Provisions	13	19,364	19,578
Total current liabilities		<u>33,133</u>	<u>31,772</u>
Non-current liabilities			
Borrowings	12	9,783	12,882
Provisions	13	3,920	2,620
Total non-current liabilities		<u>13,703</u>	<u>15,502</u>
Total liabilities		<u>46,836</u>	<u>47,274</u>
Net assets		<u>2,496,851</u>	<u>2,400,758</u>
EQUITY			
Accumulated surplus	14	1,135,726	1,088,081
Revaluation reserves	14	1,361,125	1,312,677
Total equity		<u>2,496,851</u>	<u>2,400,758</u>

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Notes	Accumulated Surplus	IPPE Revaluation Reserve	Other Reserves	Council Equity Interest	Total Equity
2019						
Opening balance		1,088,081	1,312,677	0	2,400,758	2,400,758
Changes due to AASB9 adoption	14	0	0	55	55	55
Restated opening balance		1,088,081	1,312,677	55	2,400,813	2,400,813
Net operating result for year		47,645	0	0	47,645	47,645
Other comprehensive income						
- Gain/(loss) on revaluation of infrastructure, property, plant and equipment		0	48,393	0	48,393	48,393
Total comprehensive income		<u>47,645</u>	<u>48,393</u>	<u>0</u>	<u>96,038</u>	<u>96,038</u>
Closing Balance		<u>1,135,726</u>	<u>1,361,070</u>	<u>55</u>	<u>2,496,851</u>	<u>2,496,851</u>
2018						
Opening balance		1,004,340	1,558,633	0	2,562,973	2,562,973
Changes due to AASB9 adoption	14	0	0	0	0	0
Restated opening balance		1,004,340	1,558,633	0	2,562,973	2,562,973
Net operating result for year		83,741	0	0	83,741	83,741
Other comprehensive income						
- Gain/(loss) on revaluation of infrastructure, property, plant and equipment		0	(245,956)	0	(245,956)	(245,956)
Total comprehensive income		<u>83,741</u>	<u>(245,956)</u>	<u>0</u>	<u>(162,215)</u>	<u>(162,215)</u>
Closing Balance		<u>1,088,081</u>	<u>1,312,677</u>	<u>0</u>	<u>2,400,758</u>	<u>2,400,758</u>

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

STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

Original unaudited budget 2019 \$'000	Notes	Actual 2019 \$'000	Actual 2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:			
109,397	Rates and annual charges	111,900	105,013
17,235	User charges and fees	15,588	17,170
5,457	Investment revenue and interest	6,536	5,776
33,018	Grants and contributions	29,220	48,310
0	Bonds, deposits and retentions received	72	205
13,106	Other	12,814	10,585
Payments:			
(72,298)	Employee benefits and on-costs	(66,301)	(61,455)
(34,011)	Materials and contracts	(31,483)	(32,652)
(754)	Borrowing costs	(712)	(958)
0	Bonds, deposits and retentions refunded	(27)	(10)
(37,189)	Other	(36,633)	(35,635)
33,961	Net cash provided by/or used in operating activities	40,974	56,349
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts:			
3,459	Sale of infrastructure, property, plant and equipment	1,412	1,299
0	Sale of real estate assets	0	500
0	Sale of investments	68,841	47,315
Payments:			
0	Purchase of investments	(84,546)	(59,222)
(45,267)	Purchase of infrastructure, property, plant and equipment	(28,769)	(37,911)
(41,808)	Net cash provided by/or used in investing activities	(43,062)	(48,019)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts:			
0			
Payments:			
(3,275)	Repayment of borrowing and advances	(3,275)	(3,451)
(3,275)	Net cash provided by/or used in financing activities	(3,275)	(3,275)
(11,122)	Net increase/(decrease) in cash assets and cash equivalents	(5,363)	5,055
	Cash and cash equivalents at beginning of reporting period	7,765	2,710
(11,122)	Cash and cash equivalents at end of reporting period	2,402	7,765

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

NOTES TO THE GENERAL PURPOSE FINANCIAL REPORTS FOR THE YEAR ENDED 30 JUNE 2019

These financial statements were authorised for issue by Council on 6 August 2019. Council has the power to amend and reissue these financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting interpretations, the Local Government Act 1993 (as amended) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Campbelltown City Council is a not for profit entity for the purpose of preparing the financial statements. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

New and amended standards adopted by council

The following new standards are effective for the first time for the period ended 30 June 2019. There was no material impact on reported financial position, performance or cash flows of the entity although some additional disclosures and presentation changes have arisen:

- AASB9 Financial Instruments and associated amending standards

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.

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

Critical accounting estimates and assumptions

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

- a. Estimated fair values of investment properties - refer to note 11
- b. Estimated fair values of infrastructure, property, plant and equipment - refer to note 10
- c. Employee benefit provisions - refer to note 13

Significant judgements in applying council's accounting policies

Impairment of receivables - Council has made significant judgement about the impairment of its receivables - refer to note 7.

MONIES AND OTHER ASSETS RECEIVED BY COUNCIL

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all money and property received by Council is held in Council's Consolidated Fund unless it is required to be held in Council's Trust Fund. The consolidated fund and other entities through which Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated fund:

- General purpose operations
- Macarthur Regional Organisation of Councils (MACROC)

The following Committee, the transactions of which are considered immaterial either by amount or nature, has been excluded:

- Town Hall Theatre Management Committee

The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at Council's 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 the acquisition of the assets 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 are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of previous period for all amounts reported in the financial statements.

New accounting standards and interpretations

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

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

PRONOUNCEMENT AASB15**Revenue from contracts with customers and associated amending standards**

Nature of change in accounting policy	<p>AASB15 will introduce a process for recognition based on the core principle being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods and services.</p> <p>Accounting policy changes will arise in the timing of revenue recognition, treatment of contract costs and contracts which contain a financing element.</p> <p>AASB15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.</p>
Effective date	Annual reporting periods beginning on or after 1 January 2019; i.e. Council's financial statements for the year ended 30 June 2020.
Expected impact on Council's financial statements	The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

PRONOUNCEMENT AASB16**Leases**

Nature of change in accounting policy	<p>AASB16 will result in most of the operating leases of an entity being brought onto the Statement of Financial Position. There are limited exceptions relating to short term leases and low-value assets which may remain off the balance sheet.</p> <p>The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.</p> <p>A corresponding right to use assets will be recognised which will be amortised over the term of the lease.</p> <p>Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.</p>
Effective date	Annual reporting periods beginning on or after 1 January 2019; i.e. Council's financial statements for year ended 30 June 2020.
Expected impact on Council's financial statements	Whilst the impact of AASB16 has not yet been fully determined, Council will bring to account any operating leases, particularly where Council is the lessee, in accordance with the standard, and will be classified into current and non-current components of a right of use asset.

PRONOUNCEMENT AASB1058
Income for Not for Profit Entities

Nature of change in accounting policy	<p>AASB1058 supersedes all the income recognition requirements relating to Councils, previously in AASB1004 Contributions. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.</p> <p>AASB1058 applies when a council receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset and where Council's objective is principally to enable the asset to further Council's objectives. In cases where Council enters into other transactions, Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB116 Property, Plant and Equipment).</p> <p>Upon initial recognition of the asset, this Standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with applicable Accounting Standard, such as:</p> <ul style="list-style-type: none"> (a) contributions by owners; (b) revenue, or contract liability arising from a contract with a customer; (c) a lease liability; (d) a financial instrument; or (e) a provision. <p>If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.</p> <p>Council will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB15.</p> <p>If the transaction does not enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.</p>
Effective date	Annual reporting periods beginning on or after 1 January 2019; i.e. Council's financial statements for year ended 30 June 2020.
Expected impact on Council's financial statements	The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Each revenue stream, including grant agreements, will be reviewed to determine the impact of AASB1058.

NEW ACCOUNTING STANDARDS ADOPTED DURING THE YEAR

During the year, Council adopted all standards which were mandatorily effective for the first time for the period ended 30 June 2019. The standards which had an impact on reported position, performance or disclosures have been discussed in Note 14.



Income, Expenses and Assets have been directly attributed to the following Functions/Activities. Details of those Functions/Activities are provided in Note 2(b)

STRATEGIC PLAN OBJECTIVES	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)	
	Original unaudited budget 2019 \$'000	Actual 2019 \$'000	Original unaudited budget 2019 \$'000	Actual 2019 \$'000	Original unaudited budget 2019 \$'000	Actual 2019 \$'000	Actual 2019 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
A vibrant, liveable city	32,458	33,741	60,220	63,516	(27,762)	(29,775)	3,236	8,455	490,248	491,392
A respected and protected natural environment	737	1,246	4,643	2,822	(3,906)	(1,576)	277	269	466	415
A thriving, attractive city ⁽¹⁾	115,162	118,802	58,876	54,415	56,286	64,387	14,319	14,518	1,399,729	1,038,286
A successful city	22,650	53,054	36,137	38,445	(13,487)	14,609	5,637	4,200	653,244	917,939
Total functions or activities ⁽²⁾	171,007	206,843	159,876	159,198	11,131	47,645	23,469	27,442	2,543,687	2,448,032

(1) Includes general purpose revenues

(2) As reported on the Income Statement and Statement of Financial Position

The activities relating to the Council's Community Strategic Plan objectives reported in Note 2(a) are as follows:

A VIBRANT, LIVEABLE CITY

- Access to information
- Public spaces
- Inclusive city
- Events and festivals
- Sporting events
- Creative community
- Heritage, history, and Aboriginal & Torres Strait Islander history
- Housing choices

A RESPECTED AND PROTECTED NATURAL ENVIRONMENT

- Protected natural environment
- Activation and stewardship of natural bushland
- Sustainability education
- Protected biodiversity
- Sustainable development within our city

A THRIVING, ATTRACTIVE CITY

- New economies
- Service provision to support the community
- Innovative city
- Attractive businesses
- Support for professional education opportunities and entrepreneurship
- Tourism development
- Strategically managed public funds and assets
- Strong governance

A SUCCESSFUL CITY

- Connectivity and movement within, to and from city
- Infrastructure solutions
- Managed growth and development
- Open and recreational space
- Partnership with state government
- City centre strategic planning



	Actual 2019 \$'000	Actual 2018 \$'000
(a) RATES AND ANNUAL CHARGES		
Ordinary rates		
Residential	63,619	60,305
Farmland	538	519
Business	19,064	18,441
Mining	27	26
Pensioner rate subsidies	775	792
Less: Pensioner rebates	(1,415)	(1,438)
Total ordinary rates	<u>82,608</u>	<u>78,645</u>
Special rates		
Infrastructure	6,326	6,015
Total special rates	<u>6,326</u>	<u>6,015</u>
Annual charges (pursuant to s.496 and s.501)		
Domestic waste management services	23,428	20,223
Waste management services (not domestic)	552	548
Stormwater management services	1,390	1,358
Pensioner domestic waste management subsidies	291	272
Less: Pensioner rebates	(920)	(881)
Total annual charges	<u>24,741</u>	<u>21,520</u>
Total rates and annual charges	<u>113,675</u>	<u>106,180</u>

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

Valuations are updated every three years.

ACCOUNTING POLICY FOR RATES AND CHARGES

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but Council may apply contributions according to the priorities established in work schedules.

Pensioner rebates relate to reductions in rates and certain annual charges for pensioners in Council areas which are not subsidised by the NSW Government.

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

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

	Actual 2019 \$'000	Actual 2018 \$'000
(b) USER CHARGES AND FEES		
User charges		
Waste water disposal	247	294
Hire of Council facilities	3,938	3,947
Memberships	730	706
Child care fees	2,052	2,779
Property rented	2,463	2,424
Other	105	84
Total user charges	<u>9,535</u>	<u>10,234</u>
Fees		
Private works	194	161
s.611	90	92
Planning and building - regulatory	2,829	3,103
Other - regulatory	210	150
S10.7 certificates (EPA Act)	338	413
S603 certificates	193	252
Inspection fees	645	735
Building services	753	766
Road/footpath reinstatement	472	641
Other	178	255
Total fees	<u>5,902</u>	<u>6,568</u>
Total user charges and fees	<u>15,437</u>	<u>16,802</u>

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

Interest on financial assets measured at amortised cost:

- Overdue rates and annual charges	238	210
- Cash and investments	6,085	5,408
- Dividend income relating to investments held at fair value through other comprehensive income (FVOCI)	10	0
Total interest and investment revenue	<u>6,333</u>	<u>5,618</u>

ACCOUNTING POLICY FOR INTEREST AND INVESTMENT REVENUE

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

	Actual 2019 \$'000	Actual 2018 \$'000
(d) OTHER REVENUES		
Events and promotions	140	66
Fines	2,142	1,687
Recycling income (not domestic)	2	1
Legal fees recovery (rates)	661	694
Insurance claims recoveries	713	59
Commissions and agency fees	327	347
Sundry contributions to works	1,032	985
Minor equipment sold	27	29
Sale of animals	168	201
Sale of consumables	227	269
Street furniture advertising	248	246
Rebates	475	130
Workers compensation - decrease in claims liability	0	750
Other	503	226
Total other revenue from continuing operations	6,665	5,690

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 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.

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

	Operating 2019 \$'000	Capital 2019 \$'000	Operating 2018 \$'000	Capital 2018 \$'000
(e) GRANTS				
General purpose (untied)				
Financial assistance - general purpose component	8,135	0	8,464	0
Financial assistance - local roads component	1,802	0	1,710	0
Specific purpose				
Transport	1,276	2,454	2,986	108
Child care	5,164	0	4,429	0
Heritage and culture	904	0	455	0
Aged and community care	6	0	0	0
Libraries	383	0	397	0
Emergency services	342	0	407	0
Sport and recreation	0	200	0	1,228
Town planning	1,260	0	0	4,905
Other	1,309	234	1,139	150
Total grants	20,581	2,888	19,987	6,391
Comprising: Commonwealth funding	14,957	29	16,060	0
State funding	5,334	2,134	3,595	6,343
Other funding	290	725	332	48

	Operating 2019 \$'000	Capital 2019 \$'000	Operating 2018 \$'000	Capital 2018 \$'000
(f) CONTRIBUTIONS				
Developer contributions (s7.4 and s.7.11 EP&A Act)				
Cash contributions				
S7.11 - contributions towards amenities/services	0	1,216	0	32
S7.12 - fixed development consent levies	0	918	0	2,612
Non-cash contributions				
Other developer contributions	168	741	1,097	12,583
Total developer contributions	<u>168</u>	<u>2,875</u>	<u>1,097</u>	<u>15,227</u>
Other contributions				
Cash contributions				
RMS contributions	830	0	665	0
Other councils	237	0	259	0
Car lease contributions	573	0	490	0
Interest rate subsidies	401	0	456	0
Biodiversity fund	192	0	1,049	0
Other	1,031	50	1,251	272
Non-cash contributions				
Other	0	34,907	0	48,431
Total other contributions	<u>3,264</u>	<u>34,957</u>	<u>4,170</u>	<u>48,703</u>
Total contributions	<u>3,432</u>	<u>37,832</u>	<u>5,267</u>	<u>63,930</u>
Total grants and contributions	<u>24,013</u>	<u>40,720</u>	<u>25,254</u>	<u>70,321</u>

ACCOUNTING POLICY FOR GRANTS AND CONTRIBUTIONS

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s7.4, s7.11 and s7.12 of the EPA Act 1979.

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

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.

(g) UNSPENT GRANTS AND CONTRIBUTIONS

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

Operating grants

	Actual 2019 \$'000	Actual 2018 \$'000
Operating grants recognised as income in the current period that have not been spent	7,942	6,143
Operating grants received for the provision of goods and services in a future period	6,048	1,391
Operating grants recognised in previous reporting periods that have been spent in the current reporting period	(6,619)	(6,707)

Capital grants

	Actual 2019 \$'000	Actual 2018 \$'000
Capital grants recognised as income in the current period that have not been spent	1,435	5,415
Capital grants received for the provision of goods and services in a future period	330	897
Capital grants recognised in previous reporting periods that have been spent in the current reporting period and services in a future period	(848)	(597)

Contributions

	Actual 2019 \$'000	Actual 2018 \$'000
Contributions recognised as income in the current period that have not been spent	4,006	3,738
Contributions received for the provision of goods and services in a future period	20,080	18,666
Contributions recognised in previous reporting periods that have been spent in the current reporting period and services in a future period	(2,324)	(7,945)

	Actual 2019 \$'000	Actual 2018 \$'000
(a) EMPLOYEE BENEFITS AND ON COSTS		
Salaries and wages	50,781	47,805
Travel expenses	120	100
Employee leave entitlements	7,450	7,173
Superannuation	5,845	5,401
Workers compensation insurance - claims and admin costs	2,893	807
Fringe benefits tax	157	176
Training costs (excluding salaries)	397	369
Other	18	6
Less: capitalised costs	<u>(181)</u>	<u>(242)</u>
Total employee costs expended	<u>67,480</u>	<u>61,595</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 Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans:

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

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

- a. Funding arrangements and methods 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 lifetime of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions for non-180 point members, nil for 180 point members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

*For 180-point members, employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to member's defined benefits.

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40m per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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 the other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the 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. Given the entity accounts for that plan as if it were a defined contribution plan in accordance with paragraph 34, the following information:

- (i) The fact that the plan is a defined benefit plan; we confirm the plan is a defined benefit plan;
- (ii) The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan;
- (iii) The expected contributions to the plan for the next annual reporting period is \$880k;
- (iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

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

Employer Reserves only *	\$ m	Asset coverage
Assets	1,798.7	-
Past services liabilities	1,784.2	100.8%
Vested benefits	1,792.0	100.4%

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

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

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

The contribution requirements may vary from the current rates if the overall sub group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. It should be noted that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2019.

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

Council's past service contribution of \$942k as a percentage of the total past service contributions for all Pooled Employees (of \$40m for each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of Council with other employers in the Pooled Employer sub-group.

**Actual
2019
\$'000**

**Actual
2018
\$'000**

(b) BORROWING COSTS

Interest on loans	696	1,081
Amortisation of discounts and premiums		
- Interest free loan received	50	57
Total borrowing costs expensed	746	1,138

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.

(c) MATERIALS AND CONTRACTS

Raw materials and consumables	4,712	4,624
Contractor and consultancy costs	21,135	20,229
Remuneration of Auditors ⁽¹⁾	156	132
Legal fees:		
- planning and environment	100	56
- other	980	849
Operating leases:		
- computers	204	233
Total materials and contracts	27,287	26,123

ACCOUNTING POLICY FOR OPERATING LEASES

Leases in which a significant portion of the risks and rewards of the 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) Auditors' remuneration

During the year the following fees were paid for services provided by the NSW Auditor-General

- audit and review of financial statements	143	129
Total fees paid to the NSW Auditor-General	143	129

During the year the following fees were paid for services provided by other audit firms

- other non assurance services	13	3
Total fees paid to other audit firms	13	3

	Actual 2019 \$'000	Actual 2018 \$'000
(d) DEPRECIATION, AMORTISATION AND IMPAIRMENT		
Depreciation and Amortisation		
Plant and equipment	1,723	1,820
Office equipment	369	207
Furniture and fittings	38	41
Infrastructure	21,776	19,466
Other assets	296	280
Total depreciation and amortisation costs	<u>24,202</u>	<u>21,814</u>

ACCOUNTING POLICY FOR DEPRECIATION, AMORTISATION AND IMPAIRMENT EXPENSES**Depreciation and Amortisation**

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

Capitalised depreciation will be disclosed where in-house assets have contributed to new assets.

Impairment of non-financial assets

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

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 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.



NOTE 4 (CONT): EXPENSES FROM CONTINUING OPERATIONS

	Actual 2019 \$'000	Actual 2018 \$'000
(e) OTHER EXPENSES		
Advertising	791	1,056
Aged care expenses	1	1
Bad and doubtful debts	79	93
Bank charges and fees	129	121
Cash collection charges	20	19
Child care expenses	1,388	1,291
Computer equipment and fees	2,339	2,221
Consultants fees	3,900	2,943
Contributions and donations to other organisations	535	509
Contributions and levies to other levels of government		
- planning levy	121	118
- waste levy	2,821	2,756
- emergency services levy (incl. FRNSW, SES, RFS)	1,421	1,448
Electricity	1,392	1,422
Equipment maintenance and repairs	64	144
Equipment/furniture and fittings	395	384
Hired personnel	1,155	1,561
Insurance	1,697	1,453
Mayoral fee	67	65
Councillors fees	343	345
Councillors (incl. Mayor) expenses	231	235
Office expenses	103	82
Postage and agency fees	342	354
Professional fees	1,024	1,494
Regional development	2	20
Self insurance expenses	712	628
Seminar/conference/civic functions	308	251
Street lighting	3,761	3,628
Telephone	565	593
Tipping fees/contributions	6,500	6,082
Utility charges	342	319
Valuer generals department	445	429
Water rates	1,134	1,082
Other	2,585	2,398
Total other expenses from continuing operations	36,712	35,545

ACCOUNTING POLICY FOR OTHER EXPENSES

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

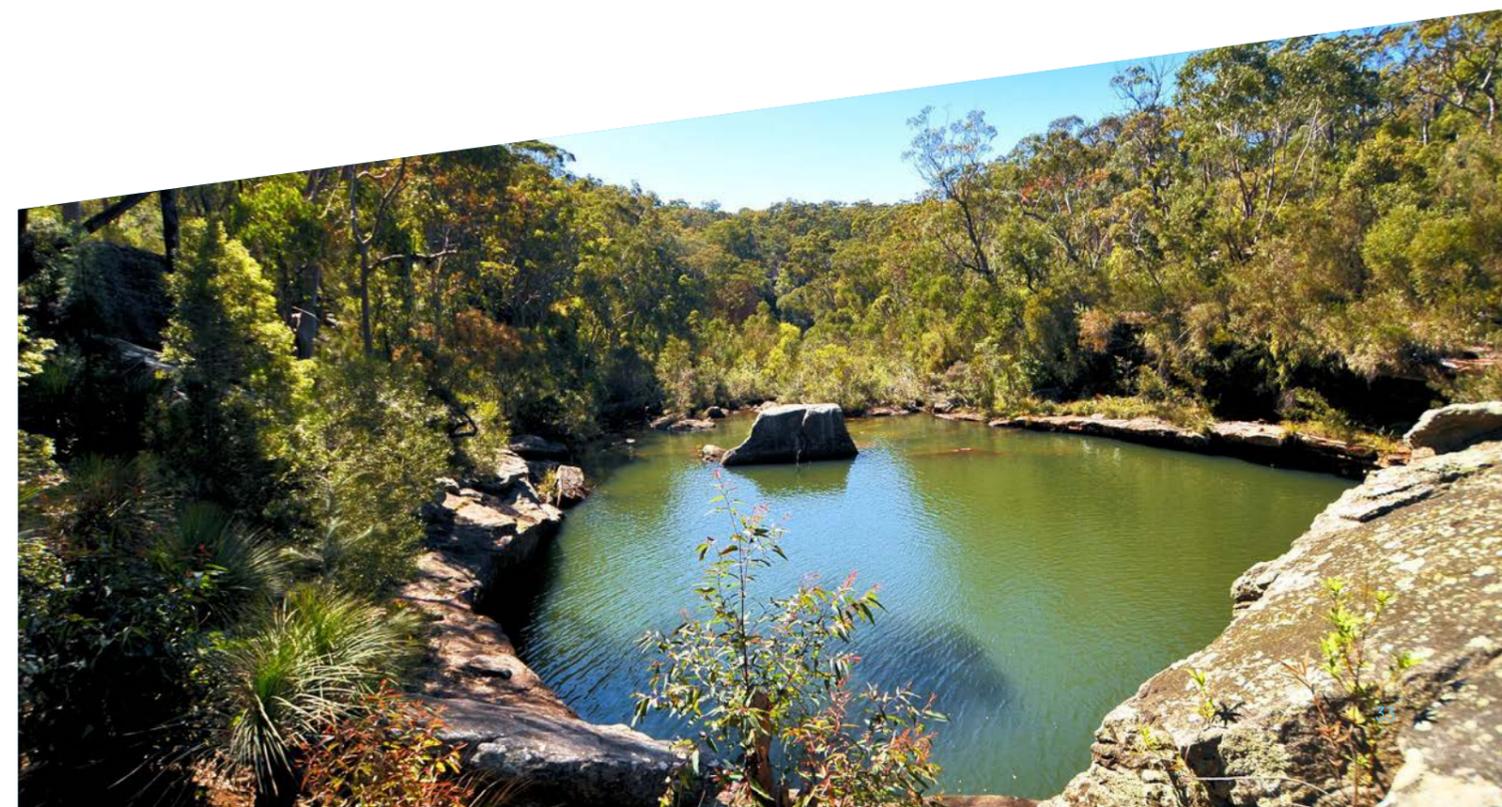
NOTE 5: GAIN OR LOSS FROM THE DISPOSAL, REPLACEMENT AND DE-RECOGNITION OF ASSETS

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
Gain (or loss) from the disposal, replacement and de-recognition of assets	10		
Proceeds from disposal		1,411	1,796
Less: carrying amount of assets sold		<u>(4,182)</u>	<u>(3,208)</u>
Gain (or loss) on disposal		<u>(2,771)</u>	<u>(1,412)</u>
NET GAIN (OR LOSS) FROM DISPOSAL OF ASSETS		<u>(2,771)</u>	<u>(1,412)</u>

ACCOUNTING POLICY FOR DISPOSAL OF ASSETS

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

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



	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
CASH ASSETS				
Cash at bank and on hand	1,199	0	6,591	0
Deposits at call	1,203	0	1,174	0
Total cash assets	<u>2,402</u>	<u>0</u>	<u>7,765</u>	<u>0</u>

Cash assets consist of highly liquid investments with short periods to maturity which are readily convertible to cash and have an insignificant risk of changes in value.

ACCOUNTING POLICY FOR CASH AND CASH EQUIVALENTS

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

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
The following financial assets are held as investments:				
Financial assets at fair value through profit and loss - held for trading	42,092	23,500	41,245	15,000
Debt securities at amortised cost (2018 held to maturity investments)	74,921	91,000	106,618	53,000
Equity securities at FVOCI (2018 available for sale financial assets)	0	55	0	0
Total	<u>117,013</u>	<u>114,555</u>	<u>147,863</u>	<u>68,000</u>
Financial assets at fair value through profit and loss - held for trading⁽¹⁾				
Managed funds	37,092	0	36,245	0
Floating rate notes	5,000	23,500	5,000	15,000
	<u>42,092</u>	<u>23,500</u>	<u>41,245</u>	<u>15,000</u>
Debt securities at amortised cost (2018 held to maturity investments)				
Term Deposits	74,921	91,000	106,618	53,000
	<u>74,921</u>	<u>91,000</u>	<u>106,618</u>	<u>53,000</u>
Equity securities at FVOCI (2018 available for sale financial assets)				
Equity instruments	0	55	0	0
	<u>0</u>	<u>55</u>	<u>0</u>	<u>0</u>

(i) Equity securities designated as FVOCI

At 1 July 2018, Council designated the investments shown below as equity security at FVOCI because these equity securities represent investments that Council intends to hold for the long-term. In 2018, these investments were classified as available for sale.

No strategic investments were disposed of during 2019 and there were no transfers of any cumulative gain or loss within equity related to these investments.

	Fair Value at 30 June 2019	Dividend income recognised 1 July 2018 to 30 June 2019
Southern Phone Company	55	10

(1) Refer Note 21 Fair Value Measurement for information regarding the fair value of investments held



ACCOUNTING POLICY FOR INVESTMENTS**Accounting policy under AASB9 – applicable from 1 July 2018**

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

Interest income, impairment and gains or losses on derecognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence or control. Council has made an irrevocable election to classify these equity investments at fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit and loss comprise investments in floating rate notes and negotiable certificates of deposit in the Statement of Financial Position.

Accounting policy under AASB139 – applicable for 2018 comparatives only

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

a) Financial assets at fair value through profit or loss

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

b) Held-to-maturity investments

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

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

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

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

Impairment of available-for-sale investments

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

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Total cash, cash equivalents and investments	119,415	114,555	155,628	68,000
External restrictions	60,785	0	49,511	0
Internal restrictions	44,580	114,555	92,020	68,000
Unrestricted	14,050	0	14,097	0
Total	<u>119,415</u>	<u>114,555</u>	<u>155,628</u>	<u>68,000</u>
		2019 restricted cash \$'000		2018 restricted cash \$'000
EXTERNAL RESTRICTIONS				
Included in liabilities				
Self insurance claims		4,810		3,200
Other				
Developer contributions - S7.11		19,685		17,596
Developer contributions - Other		867		892
Specific purpose unexpended grants		15,755		13,845
Domestic waste management		13,089		7,996
General contributions		3,534		3,916
Stormwater management levy		3,045		2,066
Total external restrictions		<u>60,785</u>		<u>49,511</u>
INTERNAL RESTRICTIONS				
Included in liabilities				
Employee leave entitlements		8,500		9,600
Other				
Committed works funded by loans		2,499		3,789
Property development		80,886		80,479
Replacement of fleet, plant and vehicles		6,790		5,162
Future infrastructure fund		28,404		29,836
Asset replacement		6,261		6,727
Self insurance		801		2,410
Committed works		14,350		13,231
Local Government elections		630		430
Insurances		7,004		6,050
Environmental		1,682		1,506
Community events		1,049		550
Other		279		250
Total internal restrictions		<u>159,135</u>		<u>160,020</u>
TOTAL RESTRICTIONS		<u>219,920</u>		<u>209,531</u>

Purpose	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Rates and annual charges	3,863	278	3,134	266
Interest and extra charges	677	44	596	47
User charges and fees	682	0	556	0
Accrued revenues	927	0	1,161	0
Government grants and subsidies	2,414	0	705	0
Private works	3	0	3	0
Sundry debtors	1,515	0	2,296	0
Total	<u>10,081</u>	<u>322</u>	<u>8,451</u>	<u>313</u>
Less: provision for impairment				
- rates and annual charges	(131)	(322)	(78)	(313)
- development reserve	0	0	(7)	0
- user charges and fees	(19)	0	(9)	0
- other	(24)	0	(93)	0
Net receivables	<u>9,907</u>	<u>0</u>	<u>8,264</u>	<u>0</u>
Restricted receivables				
Externally restricted receivables				
Domestic waste management	749	0	559	0
	749	0	559	0
Internally restricted receivables				
Property development	0	0	94	0
Less: provision for doubtful debts	0	0	(7)	0
	0	0	87	0
Total restricted receivables	<u>749</u>	<u>0</u>	<u>646</u>	<u>0</u>
Unrestricted receivables	9,158	0	7,618	0
TOTAL RECEIVABLES	<u>9,907</u>	<u>0</u>	<u>8,264</u>	<u>0</u>

ACCOUNTING POLICY FOR RECEIVABLES**Recognition and measurement**

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment**Accounting policy under AASB9 – applicable from 1 July 2018**

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

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

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

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

Council uses the presentation that a financial asset is in default when: the other party is unlikely to pay its credit obligations to Council in full, without recourse by Council to actions such as realising security (if any is held); or the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

Rates and annual charges outstanding are secured against the property.

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

Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or when the receivables are significantly past due in duration.

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

Accounting policy under AASB39 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
(a) Inventories				
At cost:				
Stores and materials	376	0	342	0
Total inventories	<u>376</u>	<u>0</u>	<u>342</u>	<u>0</u>
Inventories not expected to be realised in next 12 months	0	0	0	0
(b) Other assets				
Prepayments	45	0	98	0
Total other assets	<u>45</u>	<u>0</u>	<u>98</u>	<u>0</u>
Externally restricted/unrestricted inventories and other assets				
Unrestricted	421	0	440	0
Total inventories and other assets	<u>421</u>	<u>0</u>	<u>440</u>	<u>0</u>

ACCOUNTING POLICY FOR INVENTORIES AND OTHER ASSETS**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

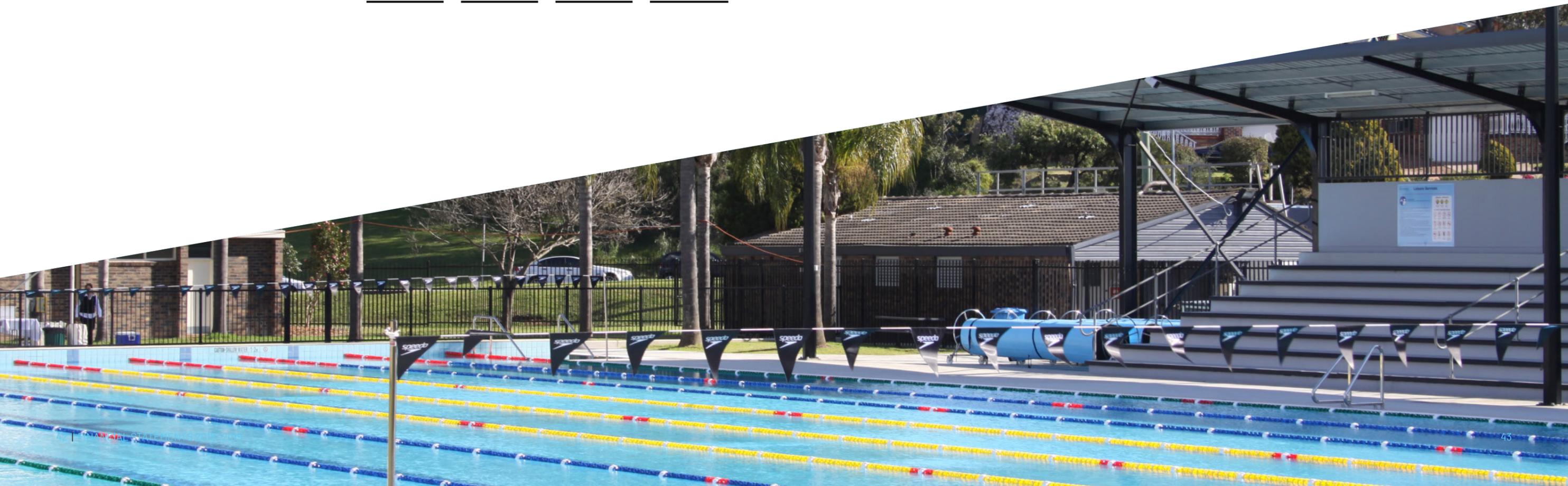
Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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



NOTE 9: NON-CURRENT ASSETS CLASSIFIED AS HELD FOR RESALE

	Actual 2019 \$'000	Actual 2018 \$'000
Land	2,160	0
	<u>2,160</u>	<u>0</u>

Council has a parcel of land which it has adopted to dispose of. This land is available for sale and is actively being marketed.

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 continued 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 properties that are carried at fair value.

An impairment 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 increase 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.

NOTE 10: INFRASTRUCTURE, PROPERTY PLANT AND EQUIPMENT

By asset class \$'000	As at 30 June 2018					Movements during year					As at 30 June 2019				
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Renewals	New assets	Carrying value of disposals	Depreciation and impairment	Transfers	Revaluation inc/(dec)	Gross carrying amount	Accumulated depreciation	Net carrying amount			
By type															
Capital works in progress	1,010	0	1,010	0	3,420	0	0	(3,731)	0	700	0	700			
Plant and equipment	17,048	10,095	6,953	3,507	737	1,046	1,723	0	0	18,368	9,939	8,429			
Office equipment	3,089	2,261	828	1	328	0	369	0	0	3,418	2,630	788			
Furniture and fittings	535	349	186	19	24	1	38	0	0	577	387	190			
Land															
- operational land	735,792	0	735,792	0	3,457	0	0	(2,160)	0	737,089	0	737,089			
- community land	250,129	0	250,129	0	2,653	0	0	0	0	252,782	0	252,782			
- land under roads	87,095	0	87,095	0	1,253	0	0	0	22,179	110,527	0	110,527			
Land improvements															
- Non depreciable	33,951	0	33,951	148	118	23	0	0	(55)	34,139	0	34,139			
Buildings ⁽¹⁾	284,632	62,458	222,174	3,392	125	122	3,775	1,841	0	289,133	65,499	223,634			
Other structures	54,776	20,551	34,225	1,728	1,408	726	2,106	125	2,990	58,895	21,251	37,644			
Infrastructure															
- roads	589,011	195,022	393,989	7,725	8,822	1,017	10,181	0	3,186	581,773	179,250	402,523			
- bridges	82,452	38,386	44,066	3,095	3,392	227	1,039	1,660	821	90,617	38,849	51,768			
- footpaths	83,577	36,974	46,603	106	6,860	253	1,123	74	1,506	91,098	37,325	53,773			
- storm water drainage	397,881	80,632	317,249	0	9,066	582	2,842	0	16,943	425,809	85,975	339,834			
- swimming pools	7,428	2,863	4,565	0	139	20	135	0	109	7,525	2,867	4,658			
- open space/recreation	9,914	3,281	6,633	128	91	165	575	31	714	10,103	3,245	6,858			
Other assets															
- library books	10,370	9,654	716	0	265	0	296	0	0	10,635	9,950	685			
- other	8,344	0	8,344	0	0	0	0	0	0	8,344	0	8,344			
TOTALS	2,657,034	462,526	2,194,508	19,849	42,168	4,182	24,202	(2,160)	48,393	2,731,532	457,167	2,274,365			

(1) Excludes investment properties

By asset class \$'000	As at 30 June 2017					Movements during year					As at 30 June 2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Renewals	New assets ⁽¹⁾	Carrying value of disposals	Depreciation and impairment	Revaluation inc/(dec) ⁽⁵⁾	Gross carrying amount	Accumulated depreciation ⁽⁶⁾	Net carrying amount		
Capital works in progress	0	0	0	993	17	0	0	0	1,010	0	1,010		
Plant and equipment	16,005	9,881	6,124	2,832	801	984	1,820	0	17,048	10,095	6,953		
Office equipment	2,994	2,171	823	0	258	46	207	0	3,089	2,261	828		
Furniture and fittings	842	621	221	0	11	3	41	0	535	349	186		
Land													
- operational land	761,032	0	761,032	0	11,575	0	0	(36,815)	735,792	0	735,792		
- community land	249,919	0	249,919	0	210	0	0	0	250,129	0	250,129		
- land under roads	85,207	0	85,207	0	1,889	0	0	0	87,095	0	87,095		
Land improvements													
- Non depreciable	31,308	0	31,308	0	135	0	0	2,507	33,951	0	33,951		
Buildings ⁽²⁾	256,388	22,062	234,326	4,425	343	729	2,845	(13,345)	284,632	62,458	222,174		
Other structures ⁽⁴⁾	48,851	20,783	28,068	2,056	1,226	264	2,034	5,171	54,776	20,551	34,225		
Infrastructure													
- roads	675,269	131,255	544,014	8,403	22,061	1,127	9,503	(169,860)	589,011	195,022	393,989		
- bridges	79,776	19,371	60,405	144	1,199	10	942	(16,730)	82,452	38,386	44,066		
- footpaths	70,278	19,109	51,169	121	6,582	254	939	(10,074)	83,577	36,974	46,603		
- storm water drainage	364,692	57,937	306,755	0	19,785	0	2,629	(6,862)	397,881	80,632	317,249		
- swimming pools	7,633	1,625	6,008	210	0	99	137	(1,419)	7,428	2,863	4,565		
- open space/recreation	6,332	1,809	4,523	445	299	71	437	1,874	9,914	3,281	6,633		
Other assets													
- library books	10,058	9,374	684	0	312	0	280	0	10,370	9,654	716		
- other	8,339	0	8,339	0	5	0	0	0	8,344	0	8,344		
TOTALS	2,674,923	295,998	2,378,925	19,629	66,708	3,587	21,814	(245,353)	2,657,034	462,526	2,194,508		

(1) Additions for the year are made up of asset renewals (\$20m) and new assets (\$67m)
 (2) Excludes investment properties
 (3) Valuations are carried out by a member of the Australian Property Institute.
 (4) Other structures asset class are not classified as infrastructure assets for the purposes of Special Schedule 7.
 (5) Council made a prospective adjustment to adopt straight line depreciation methodology and this amount includes the adjusted accumulated depreciation as at 1 July 2017.

ACCOUNTING POLICY FOR INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

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

- Operational land (external valuation)
- Buildings – specialised/non specialised (external valuation)
- Plant and equipment (as approximated by depreciated historical cost)
- Road assets – roads, bridges and footpaths (internal valuation)
- Drainage assets – (internal valuation)
- Bulk earthworks (internal valuation)
- Community land (external valuation)
- Land improvements (internal valuation)
- Other structures (internal/external valuation)
- Other assets (external valuation)

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 the assets in the same class are first charged against asset revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

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

Land is not depreciated. Depreciation on infrastructure assets with a medium to long life is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	4-20 years	Roads and footpaths	15-100 years
Office equipment	3-40 years	Bridges	30-100 years
Furniture & fittings	5-20 years	Storm water drainage	50-175 years
Buildings	7-230 years	Bulk earthworks	1000 years
Other structures	15-20 years		

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

Land under roads

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

Council has elected not to recognise all land under roads acquired before 1 July 2008 in accordance with AASB1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB116 Property, Plant and Equipment.

Crown reserves

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

Rural Fire Service assets

Under Section 119 of the Rural Fire Services Act 1997 (NSW) 'all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the Council of the area for or on behalf of which the firefighting equipment has been purchased or constructed.'

Council has no care or control over the purchase or sale of plant and equipment or other firefighting equipment, nor does Council receive any proceeds from their disposal.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for Council owned land and buildings only.

	Actual 2019 \$'000	Actual 2018 \$'000
At fair value		
Opening balance at 1 July	21,192	19,689
Capitalised subsequent expenditure		
- Buildings	815	0
- Land (dedication)	857	0
Net gain/(loss) from fair value adjustment	0	1,503
Closing balance at 30 June	<u>22,864</u>	<u>21,192</u>

(a) Amounts recognised in net result for investment property

Rental income	1,671	1,726
Direct operating expenses from property that generated rental income	172	148

(b) Contractual obligations

Refer to Note 17 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(c) Leasing arrangements - Council as lessor

The investment properties are leased to tenants under long term operating leases with rentals payable monthly.

Minimum lease repayments receivable on leases of investment properties are as follows.

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

Within one year	1,817	1,429
Later than one year but not later than five years	5,470	4,421
Later than five years	2,940	2,770
	<u>10,227</u>	<u>8,620</u>

ACCOUNTING POLICY FOR INVESTMENT PROPERTIES

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by 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 properties are regarded as investment properties. 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.



	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Payables				
Goods and services	4,315	0	3,001	0
Accrued wages and salaries	1,252	0	1,187	0
Accrued expenses - other	70	0	86	0
Deposits and retentions	1,996	0	1,879	0
Other payables	467	0	438	0
Total payables	<u>8,100</u>	<u>0</u>	<u>6,591</u>	<u>0</u>
Income received in advance				
Payments received in advance	2,570	0	2,328	0
Total income received in advance	<u>2,570</u>	<u>0</u>	<u>2,328</u>	<u>0</u>
Borrowings				
Loans - secured	3,099	9,783	3,275	12,882
Total borrowings	<u>3,099</u>	<u>9,783</u>	<u>3,275</u>	<u>12,882</u>
(a) Current payables not expected to be settled within next 12 months	0	0	0	0

(b) Changes in liabilities arising from financing activities

	2018 \$'000	Cash flows \$'000	Other non cash changes \$'000	2019 \$'000
Loans - secured	15,981	(3,275)	0	12,706
Total liabilities from financing activities	<u>15,981</u>	<u>(3,275)</u>	<u>0</u>	<u>12,706</u>

	2017 \$'000	Cash flows \$'000	Other non cash changes \$'000	2018 \$'000
Loans - secured	19,242	(3,451)	190	15,981
Total liabilities from financing activities	<u>19,242</u>	<u>(3,451)</u>	<u>190</u>	<u>15,981</u>

(c) Financing arrangements

	2019 \$'000	2018 \$'000
Total facilities		
The amount of total financing available to Council at the reporting date is:		
- bank overdraft facility	500	500
- corporate credit cards	820	820
	<u>1,320</u>	<u>1,320</u>
Drawn facilities		
The amount of financing drawn down at the reporting date is:		
- corporate credit cards	73	65
	<u>73</u>	<u>65</u>
Undrawn facilities		
The amount of undrawn financing available to Council at the reporting date is:		
- bank overdraft facility	500	500
- corporate credit cards	747	755
	<u>1,247</u>	<u>1,255</u>

Breaches and defaults

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

Security over loans

Loans are secured over the rating income of Council.

Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable, while rates for loans are set for the period of the loan.

The bank overdraft of Council is secured over the rating income of Council.

ACCOUNTING POLICY FOR PAYABLES AND BORROWINGS

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

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

Payables

These amounts represent liabilities for goods and services provided to Council prior to the end of financial year which 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 assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance costs. 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.



	Actual 2019		Actual 2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
PROVISIONS				
Employee benefit provisions⁽¹⁾				
Annual leave	4,751	0	4,539	0
Sick leave	2,295	0	2,695	0
Long service leave	11,228	440	11,564	390
Other provisions				
Self insurance - workers compensation ⁽²⁾	1,090	3,480	780	2,230
Total provisions	<u>19,364</u>	<u>3,920</u>	<u>19,578</u>	<u>2,620</u>
Current provisions not expected to be settled within the next 12 months	7,289	0	7,283	0

⁽¹⁾ Vested ELE is all carried as a current provision.

⁽²⁾ Provision is made in respect of the estimated self insurance claims for workers compensation as at balance date.

(a) Descriptions and movements in provisions

The movement in each class of provision (excluding those relating to employee benefits) is presented below:

Self Insurance	\$'000
At beginning of year	3,010
Amounts used	<u>1,560</u>
Total at end of year	<u>4,570</u>

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if 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.

Self insurance

Council has decided to self-insure for Workers Compensation. A provision for self-insurance has been made to recognise outstanding claims, the amount of which is detailed in note 13. Council also maintains cash and investments to meet expected future claims and these are detailed in note 6(c).

(a) Nature and purpose of reserves

Revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

Investments revaluation reserves

Changes in fair value are taken to the investments revaluation reserve and amounts are recognised in profit and loss when the associated assets are sold or impaired.

(b) Correction of errors in previous years

No prior period errors were identified for the reporting period.

(c) Changes in accounting policy due to adoption of new Accounting Standards

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

Council adopted AASB9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB9, Council adopted consequential amendments to other accounting standards arising from the issue of AASB9 as follows:

- AASB101 Presentation of Financial Statements: requires the impairment of financial assets be presented in a separate line item in the Income Statement. In the prior year, this information was presented as part of other expenses.
- AASB7 Financial Instruments: requires amended disclosures due to changes arising from AASB9, these disclosures have been provided for in the current year.
- AASB9 Financial Instruments: these disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB9 are described below:

Changes in accounting policy have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB9 based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income – equity instruments (FVOCI – equity)

Measurement of equity instruments

All equity instruments of Council are measured at fair value under AASB9 whereas there was a cost exception under AASB139, which allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in opening equity at 1 July 2018.

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

Impairment of financial assets

The incurred loss model from AASB139 has been replaced with an expected credit loss model in AASB9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB9 at 1 July 2018 are shown below:

\$'000	Retained earnings	Total
Reclassify investments from 'available for sale' to FVOCI – equity	55	55
Increase in expected credit losses for trade receivables ⁽¹⁾	0	0
Adjustments to equity as a result of adoption of AASB9	55	55
Opening equity balances at 1 July 2018 – AASB9	2,400,846	2,400,846

⁽¹⁾ the move to the expected credit loss model under AASB9 has increased the provision for trade receivables as at 1 July 2018

Classification of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and liabilities under AASB9 and AASB139 at 1 July 2018

Financial assets	Classification under AASB139	Classification under AASB9	Carrying amount under AASB139	Remeasurements	Carrying amount under AASB9
\$'000					
Equity securities ⁽¹⁾	Available for sale	FVOCI – equity	0	55	55
Equity securities	FVTPL – held for trading	FVTPL – held for trading	65,592	0	65,592
Trade and other receivables	Loans and Receivables	Amortised cost	9,349	0	9,349
Cash and cash equivalents	Loans and Receivables	Amortised cost	2,402	0	2,402
Term deposits ⁽²⁾	Held to maturity	Amortised cost	165,921	0	165,921
Total financial assets under AASB9 at 1 July 2018			243,264	55	243,319

⁽¹⁾ Investments previously classified as 'available for sale' where changes in value were taken through a financial assets reserve are now classified as 'financial assets at fair value through other comprehensive income and changes in value taken through equity' since they are not held for trading.

⁽²⁾ Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold these assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets

Financial liabilities	Classification under AASB139	Classification under AASB9	Carrying amount under AASB139	Remeasurements	Carrying amount under AASB9
\$'000					
Secured bank loans	Other financial liabilities	Other financial liabilities	12,882	0	12,882
Trade payables	Other financial liabilities	Other financial liabilities	8,100	0	8,100
Total financial liabilities under AASB9 as at 1 July 2018			<u>20,982</u>	<u>0</u>	<u>20,982</u>

(d) Changes in accounting policy - voluntary change

No voluntary changes in accounting policy that may materially impact the Statement of Financial Position have been made during the year.

(e) Changes in accounting estimates

No changes in accounting estimates that may materially impact the Statement of Financial Position have been made during the year.

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6a	<u>2,402</u>	<u>7,765</u>
Balances as per Statement of Cash Flows		<u>2,402</u>	<u>7,765</u>
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		47,645	83,741
Depreciation, amortisation and impairment		24,202	21,814
Loss/(gain) on sale of assets		2,771	1,412
Amortisation of discounts and premiums recognised		50	57
Non-cash contributions and dedications		(34,907)	(48,431)
Fair value (gains)/losses on investment property		0	(1,503)
Movement in operating assets and liabilities			
Increase/(decrease) in provision for doubtful debts		(4)	(29)
Increase/(decrease) in provision for employee leave entitlements		(474)	154
Increase/(decrease) in other provisions		1,560	(750)
(Increase)/decrease in receivables		(1,639)	(480)
(Increase)/decrease in inventories		(34)	0
(Increase)/decrease in other current assets		53	(98)
Increase/(decrease) in payables		1,767	338
Increase/(decrease) in accrued interest payable		(16)	(9)
Increase/(decrease) in other liabilities and accruals		0	133
Net cash provided from (or used in) operating activities from Statement of Cash Flows		<u>40,974</u>	<u>56,349</u>
(c) Non-cash financing and investing activities			
Dedications and developer in-kind contributions		<u>34,907</u>	<u>48,431</u>
		<u>34,907</u>	<u>48,431</u>

Consolidated structured entities

Joint arrangements	Principal place of business	% owned	
		2019	2018
Macarthur Regional Organisation of Councils (MACROC)	Australia	33	33

The Macarthur Regional Organisation of Councils (MACROC) is an advocacy body for the Macarthur region's three local government authorities: Campbelltown City Council; Camden Council; and Wollondilly Shire Council.

Formed in 1986, MACROC's mission is to work at a regional level to advocate, lobby, promote regional cooperation and to leverage additional funding for a wide range of projects of regional significance.

Campbelltown City Council consolidates all financial transactions of MACROC and discloses them as part of its annual financial statements. Management has determined the impact of proportional recognition to be immaterial to the financial statements as a whole.

During the reporting period the three member councils resolved to windup and dissolve MACROC. All assets and liabilities were brought to account and are finalised.

The process for the deregistration of the Australian Business Number has commenced.

ACCOUNTING POLICY FOR JOINT ARRANGEMENTS

Campbelltown City Council has determined that it has only joint arrangements.

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

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its share of the revenue from the sale of the output of the joint arrangement
- Its expenses, including its share of any expenses incurred jointly

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

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

(a) Capital commitments (exclusive of GST)

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

- buildings	22,680	22,132
- plant and equipment	635	465
- infrastructure: roads, bridges, footpaths	18,910	2,916
	<u>42,225</u>	<u>25,513</u>

These expenditures are payable:

- not later than one year	15,015	16,333
- later than one year and not later than five years	27,210	9,180
	<u>42,225</u>	<u>25,513</u>

These capital commitments are for the upgrade and renewal of road infrastructure and for various refurbishment works at recreation facilities and reserves.

(b) Finance lease commitments

There are no finance lease commitments in either the current or previous accounting period.

(c) Operating lease commitments

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

- not later than one year	334	112
- later than one year and not later than five years	668	0
- later than five years	0	0
	<u>1,002</u>	<u>112</u>

The operating leases in place are for computer equipment.

The following do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

Liabilities not recognised

Legal expenses

Council has a number of legal matters currently outstanding that, due to the lack of a reliable estimate of the amount due as at the reporting date, has not recognised any liability.

Risk Management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. 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 Council.

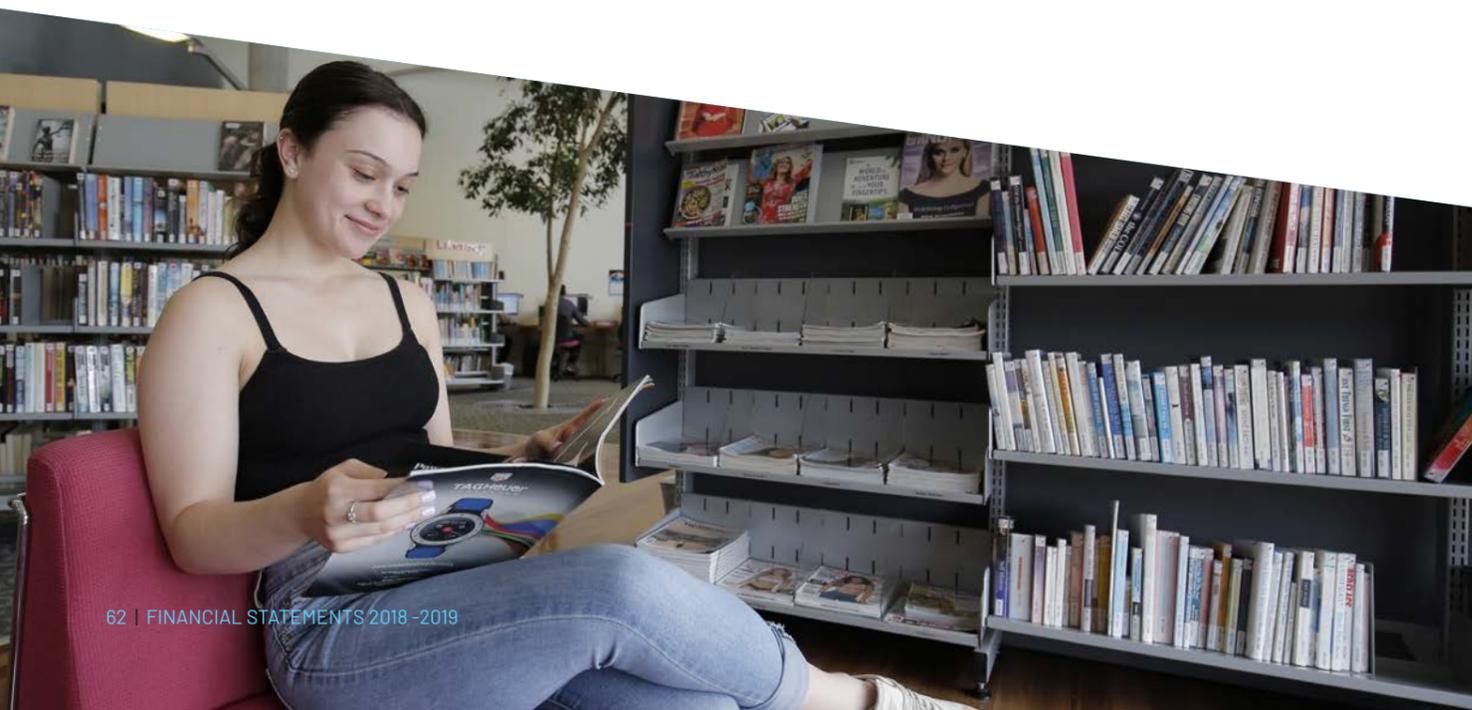
Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out by the Financial Services section under policies approved by Council.

The fair value of receivables, loans, investments and financial liabilities approximates the carrying amount.

A comparison of carrying amount and fair value for Council's financial instruments at reporting date is shown below:

	Carrying Value		Fair Value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial Assets				
Measured at amortised cost (2019)				
Cash and cash equivalents	2,402	7,765	2,402	7,765
Receivables	9,349	7,667	9,349	7,667
Term deposits	165,921	159,618	165,921	159,618
Fair value through other comprehensive income (2019)				
Equity instruments held at FVOCI	55	0	55	0
Financial assets at fair value through profit or loss - held for trading				
	65,592	56,245	65,592	56,245
Total	243,319	231,295	243,319	231,295
	Carrying Value		Fair Value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial Liabilities				
Measured at amortised cost				
Payables	8,100	6,591	8,100	6,591
Borrowings	12,882	16,157	12,285	14,820
Total	20,982	22,748	20,385	21,411

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Financial Services Section manages the cash and investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the Local Government Act and Ministerial Investment Order 625. The policy is regularly reviewed by Council and an investment report provided to Council monthly, setting out the make-up and performance of the portfolio as required by local government regulations.



The risks associated with the instruments held are:

1. Price risk - the risk that capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.
2. Interest rate risk - the risk that movements in interest rates could affect returns.
3. Liquidity risk - the risk that Council may not be able to pay its debts as and when they fall due.
4. Credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisor before placing any cash and investments.

(a) Market risk - price risk and interest rate risk

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

	2019 \$'000	2018 \$'000
Impact of a 1% movement in price of investments		
- equity	656	562
- Income Statement	656	562
Impact of a 1% movement in interest rates on cash and investments		
- equity	1,683	1,674
- Income Statement	1,683	1,674

(b) Credit risk

Council's major receivables comprise rates and annual charges and user charges and fees. Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery policies.

There are no significant concentrations of credit risk. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The balances of receivables that remain within initial trade terms are considered to be of high credit quality. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

Council also makes suitable provision for doubtful receivables as required.

Credit risk profile

Receivables - rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land - 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 encourages payment.

	Not due yet \$'000	Overdue debts				Total \$'000
		<1 year \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	
2019	3,668	191	143	61	78	4,141
2018	3,016	170	64	77	73	3,400

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to providing the expected credit losses prescribed by AASB9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

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

2019	Not due yet \$'000	Overdue debts				Total \$'000
		<30 days \$'000	30-60 days \$'000	60-90 days \$'000	>90 days \$'000	
Gross Carrying Amount	5,843	199	47	29	144	6,262
Expected loss rate (%)	0.3	1.6	3.6	6.6	10.6	
ECL provision ⁽¹⁾	2	3	2	2	15	24

(1) No ECL allowance is provided for other sundry receivables totalling \$5.2m as expected credit losses are unlikely

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk - that is 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 be extended and overdraft facilities drawn upon in extenuating circumstances.

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

	Weighted average interest rate %	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractual cash flows	Carrying values
		\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Payables	-	8,100	0	0	8,100	8,100
Borrowings	5.50	3,676	9,796	1,054	14,526	12,882
		11,776	9,796	1,054	22,626	20,982
2018						
Payables	-	6,455	0	0	6,455	6,455
Borrowings	5.50	3,987	12,083	2,442	18,512	16,157
		10,442	12,083	2,442	24,967	22,612

Council's original budget is incorporated as part of the Management Plan, which was adopted by Council on 26 June 2018. The original projections on which the budget was based have been affected by a number of factors. These factors include State and Federal Government decisions including new grant programs, changing economic activity, and by decisions made by Council.

This note sets out the details of material variations between the original budget and actual results reported in the Income Statement. Material favourable (F) and unfavourable (U) variances represent amounts of 10% or more of the budgeted amount.

REVENUES**User Charges & Fees**

Actual User Charges and Fees received were less than budgeted by some \$1.7m (U)(10%).

Variations in amounts received are detailed below

- Reduction in income from building fees and certificates resulting from decreased development activity \$206k (U).
- Child care fee income \$1m (U), income from child care fees and FDC Administration Charges less than budgeted.
- Leisure Centre income \$375k (U), proceeds from learn to swim and other programs less than anticipated.
- Inspection and sullage fees \$148k (U), decrease in disposal of sullage and actual inspection fee income less than anticipated.

Interest on Investments

Actual interest received was greater than budgeted by some \$876k (F)(16%). While interest rates remained low as per budget projections, a greater amount of funds were held on investment than was anticipated, due to large capital projects not proceeding in the anticipated time frame.

Grants and contributions received (operating and capital)

Actual amounts of grants and contributions received were over budget by some \$32m (F)(102%).

Variations in amounts received in grants and contributions are detailed below. These variances are mainly due to decisions made by Federal and/or State Governments and developer contributions and dedications received after the original budget was adopted.

- Capital contributions \$37.1m (F), unbudgeted contributions and dedications from developers towards land, road and drainage construction at various development sites including Glenfield, Airds, Claymore and Bardia, as well as \$7.11 contributions.
- The receipt of various Environmental Protection and Planning grants which were not advised when the original budget was developed \$82k (F).
- Child Care grants of \$288k (F), due to the budgeted split between fees and child care benefit grants.
- Community Policy and Planning grants of \$194k (F), new grant funds received for Aboriginal Co-design, Place Management grants and Arts Health partnerships.
- Bushfire mitigation grants \$146k (F), additional hazard reduction funding was received during the year.
- The Federal Government has continued its policy of paying the Financial Assistance Grant in advance resulting in this budget variation, \$40k (F).
- The Federal Government grant \$3.1m (U) for the Sporting Centre of Excellence will be received in the following year; this has been offset by additional Sport and Recreation grants received \$180k (F).
- RMS funding \$5.1m (U) for the upgrade of Badgally Road and the construction of cycle ways will be received in the following year; this has been part offset by various new grant funds.

- Additional employee leave entitlement contributions received from other Councils \$187k (F).
- New developer contribution towards the Biodiversity Fund not included in original budget \$192k (F).
- Grant funds received late in the year or not budgeted \$1m (F); Open Space works, Waste Performance Improvement and various MACROC programs.
- New grant funds received \$950k (F); Western Sydney City Deals and the Consolidated LEP.
- Various other minor variations including: contributions from sporting clubs, and community bodies, employee contributions, pensioner subsidy, FESL contribution, contributions from other Councils and construction of community facilities not budgeted.

Other Revenue

Actual amounts of other revenues received were over budget by some \$765k (F) (13%).

Variations in amounts received are detailed below:

- Income from fines and fees was greater than anticipated \$159k (F).
- Cost recovery from recharge accounts and insurance claims \$1.4m (F)
- Rebates received including additional fuel tax \$438k (F)
- Other income, commission on sales, compensation etc. \$297k (F)
- Budgeted land sales that did not proceed \$1.5m (U)

EXPENSES

Depreciation

Actual depreciation expenses were over budget by some \$2.9m (U) (14%).

- Council's portfolio of assets includes various categories, including Buildings, Roads and Bridges, Stormwater, Property, Plant and Equipment, Office Equipment and Other Structures. The variations to original budget are due to a number of factors, including new fair valuation data, increases in the number of assets due to dedications and updated condition assessment of assets.

Loss on disposal of assets

Council disposed of various items of property, plant and equipment assets during the year. The accounting treatment of the gain or loss on disposal was not included in the original budget. The net result of \$2.8m (U) is mainly due to the renewal of infrastructure assets.

Other

Various minor favourable and unfavourable variations occurred throughout the year in the other various expense categories; however these variations did not exceed the 10% threshold. All variations have been monitored, and reported to Council on a regular basis.

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

Cash Flows from Operating Activities

Variance of 21% (F) is mainly attributable to employee benefits being under by some \$6m (F) due to a number of positions within Council structure remaining vacant and materials and contracts being under budget by some \$2.5m (F) due to a number of capital works programs not being completed.

Cash Flows from Investing Activities

Cash flows from investing activities were within budget.

Cash Flows from Financing Activities

Cash flows from financing activities were within budget.



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

- infrastructure, property, plant and equipment
- investment property
- financial assets

During the reporting period Council has also measured the following assets at fair value on a non-recurring basis:

- non-current assets classified as held for sale

Fair value hierarchy

AASB 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	Description
1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access as at the measurement date
2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
3	Unobservable inputs for the asset or liability



The table below shows the assigned level for each asset and liability held at fair value by Council.

2019	Note	Valuation Technique	Level 2 (\$'000) Significant Observable Inputs		Level 3 (\$'000) Significant Unobservable Inputs		Total (\$'000)	
			2019	2018	2019	2018	2019	2018
Recurring fair value measurements								
Financial assets								
Investments								
- at fair value through profit and loss	6b	Market	65,592	56,245			65,592	56,245
Investment Properties								
- Land	11	Market	17,938	17,080			17,938	17,080
- Buildings		Market	4,926	4,112			4,926	4,112
Infrastructure, Property, Plant & Equipment								
Land								
- Operational		Market	737,089	735,792			737,089	735,792
- Community		Cost			252,782	250,129	252,782	250,129
- Land Under Roads		Cost			110,527	87,095	110,527	87,095
- Improvements		Cost			34,139	33,951	34,139	33,951
Buildings		Cost			223,634	222,174	223,634	222,174
Buildings: Other Structures		Cost			37,644	34,225	37,644	34,225
Infrastructure								
- Roads		Cost			402,523	393,989	402,523	393,989
- Footpaths		Cost			53,773	46,603	53,773	46,603
- Bridges		Cost			51,768	44,066	51,768	44,066
Infrastructure: Stormwater		Cost			339,834	317,249	339,834	317,249
Swimming Pools		Cost			4,658	4,565	4,658	4,565
Open Space/Recreational		Cost			6,858	6,633	6,858	6,633
Library Books		Cost			685	716	685	716
Other Assets		Cost			8,344	8,344	8,344	8,344
Total			825,545	813,229	1,527,169	1,449,739	2,352,714	2,262,968

Note that Capital Works in Progress is not included above since it is carried at cost.

VALUATION TECHNIQUES

Level two measurements

Land

Operational

Level two valuation inputs were used to value land held in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. Valuation occurred at 30 June 2018 and was determined by APV Valuers & Asset Management Pty Ltd.

Investment Properties

Land and Buildings

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains, or both, and are not occupied by Council. Council engages external, independent and qualified valuers to determine the fair value of its investment properties. The last full revaluation of Council's investment properties was at 30 June 2018 and was determined by APV Valuers & Asset Management Pty Ltd. The value of investment property was determined using market approach and based on level two valuation inputs.

Investments

Financial assets are exposed to financial risks such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictability of financial markets. The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

Level three measurements

Land

Community

Valuations of Campbelltown City Council's community land were based on the unimproved capital value (UCV) provided by the Valuer-General in the most recent valuation dated 30 June 2016. As these rates were not considered to be observable market evidence they have been classified as level three inputs.

Land Under Roads

Valuation of Campbelltown City Council's land under roads was completed in-house by staff with appropriate qualifications, skills and experience, at 30 June 2019 and was based on the unimproved capital value (UCV) provided by the Valuer-General. The 'Englob' methodology was adopted with a rate per square metre determined through a comparison of surrounding urban and rural land sales.

Land Improvements

This asset class comprises land improvements such as concrete cricket wickets, artificial grass areas, concrete skating areas, running track surfacing, rubber track areas etc. These assets may be located on parks, reserves and also within road reserves. Land improvements were valued in-house using the 'Cost Approach' by staff with appropriate qualifications, skills and experience, at 30 June 2019.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with the Institute of Public Works Engineers Australia's International Public Spaces Management Manual (IIPSM). While the unit rates based on linear metres of fencing, price for certain type of BBQ etc. could be supported from market evidence (level two) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets, there is uncertainty regarding the actual design, specifications and dimensions of some assets. As such these assets were classified as having been valued using level three valuation inputs. Valuation was conducted in-house by staff with appropriate qualifications, skills and experience, dated 30 June 2019.

Buildings

Specialised buildings were valued using the cost approach using professionally qualified registered valuers. The last full revaluation of Council's buildings was as at 30 June 2018 and was determined by APV Valuers & Asset Management Pty Ltd. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level two) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level three valuation inputs.

Buildings: Other Structures

This asset class comprises BBQs, park furniture, shade structures, fencing and gates, walls, handrails, flood lighting, play equipment, retaining walls, shed structures etc.

Play equipment assets were valued by using cost approach. In this approach, we estimated the replacement cost for each asset by componentising the asset into significant components with different useful lives and taking into account a range of factors. Most of the unit rates based on square metres were derived from current Council tenders, Rawlinson's handbook and rates from other similar organisations. Other inputs such as estimates of residual values, useful lives, pattern of consumption and asset condition were also derived from extensive professional judgement, Institute of Public Works Engineers Australia's (IPWEA) guidelines and best available industry practices etc. As such these assets were classified as having been valued using level three valuation inputs. External consultant Kico was engaged to determine the condition, useful life and unit rate at the play equipment component level.

The remaining other structure assets were valued using the 'Cost Approach' in-house by staff with appropriate qualifications, skills and experience, dated 30 June 2019. Using the 'Cost Approach', Council estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with the IPWEA International Public Spaces Management Manual (IIPSM).

While the unit rates based on linear metres of fencing, price for certain types of BBQ etc. could be supported

from market evidence (level two) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. As such these assets were classified as having been valued using level three valuation inputs.

Infrastructure

Roads

This asset class comprises the road carriageway, bus shelters, carparks, kerb and gutter, retaining walls, road furniture and traffic management devices. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using level three inputs was used to value the road carriageways and other road infrastructure. Valuations for the road carriageways, comprising surface, pavement and formation was done by utilising the detailed pavement information residing in Council's Pavement Management System - SMEC PMS and Council's Corporate Asset Management System, Conquest. All other road infrastructure was valued by using information contained within Council's Corporate Asset Management System, Conquest. Valuation was conducted in-house by staff with appropriate qualifications, skills and experience, dated 30 June 2019.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (level two) other inputs (such as estimates, pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. As such these assets were classified as having been valued using level three valuation inputs.

Bridges

Bridges were valued using the 'Cost Approach'. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Superstructure, Bridge Abutments, Bridge Substructures, and Bridge rails/handrails etc. While all bridges were physically inspected and the unit rates based on square metres could be supported from market evidence (level two) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level three valuation inputs. Valuation was conducted in-house by staff with appropriate qualifications, skills and experience, dated 30 June 2019.

Footpaths

Footpaths were valued by using the 'Cost Approach'. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a combination of video condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections. As such these assets were classified as having been valued using level three valuation inputs. Valuation was conducted in-house by staff with appropriate qualifications, skills and experience, dated 30 June 2019.

Stormwater

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM).

While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (level two) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due

to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. As such these assets were classified as having been valued using level three valuation inputs. Physical visual inspection is carried out on all stormwater assets except pipes. For stormwater pipes, the Close Circuit Television (CCT) Inspection approach is utilised for the condition assessment of randomly selected samples. Valuation was conducted in-house by staff with appropriate qualifications, skills and experience, dated 30 June 2019.

Swimming Pools

The 'Cost Approach' was utilised to value the swimming pools. While the unit rates based on square metres, linear metres or similar could be supported from market evidence (level two) other inputs (such as estimates, pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. The components included the shell, surface finishing, and miscellaneous. Valuation was conducted in-house by staff with appropriate qualifications, skills and experience, dated 30 June 2019.

Other Assets

Valuation of Council's other assets were undertaken at 30 June 2016 by Brenda Colahan Fine Art using the 'Cost Approach'. Values were based on visual inspection and extensive professional judgement to determine the fair value. As such, these assets were classified as having been valued using level three valuation inputs.

VALUATION TECHNIQUES

Unobservable inputs

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

Class	Fair Value (30/06/19) \$'000	Valuation Technique	Unobservable Inputs
Infrastructure, Property, Plant & Equipment			
Community Land	252,782	Land values obtained from the NSW Valuer General	Land value, land area
Land Under Roads	110,527	Values obtained from the NSW Valuer General and discounted	Extent and impact of use, market cost of land per square metre
Land Improvements - Non Depreciable	34,139	Cost Approach	Pattern of consumption, residual value, asset condition and useful life
Buildings	223,634	Cost Approach	Current replacement cost, asset condition, remaining lives, residual value and useful lives
Other Structures, Open Space & Swimming Pools	49,161	Cost Approach	Pattern of consumption, residual value, asset condition and useful life
Roads, Footpaths & Bridges	508,065	Cost Approach	Pattern of consumption, residual value, asset condition and useful life
Stormwater	339,834	Cost Approach	Pattern of consumption, residual value, asset condition and useful life
Library Books	685	Cost Approach	Useful life, pattern of consumption, asset condition and residual values
Other Assets	8,344	Cost Approach	The level of appreciation of the asset, current replacement/replication cost of equivalent asset, asset condition

RECONCILIATION OF MOVEMENTS

A reconciliation of the movements in recurring fair value measurements allocated to level three of the hierarchy is provided below:

	Level 3	
	2019 \$'000	2018 \$'000
Balance at 1 July	1,449,739	1,610,725
Restated opening balance	1,449,739	1,610,725
Total gains or losses for the period		
Recognised in profit or loss - Realised (Note 5)	(125)	0
Recognised in other comprehensive income - Revaluation Surplus	48,393	(208,537)
Other movements		
Purchases	54,246	69,851
Sales	(3,013)	(2,554)
Depreciation	(22,072)	(19,746)
Transfers into level three	0	0
Transfers out of level three	0	0
Balance as at 30 June	1,527,168	1,449,739

Highest and best use

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

Key management personnel

Key management personnel of Campbelltown City Council are those persons having the authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. The key management personnel of Campbelltown City Council are Councillors, the General Manager and all Senior Staff as determined by the Local Government Act 1993 (as amended).

The aggregate amount of key management personnel compensation included in the Income Statement is:

Compensation	2019 (\$'000)	2018 (\$'000)
Short term benefits (salaries, councillors fees)	2,207	2,107
Other long term benefits	67	53
Total	2,274	2,160

Other transactions with key management personnel and their related entities

Council has determined that transactions at arm's length basis between key management personnel and Council as part of key management personnel using Council services such as access to library or Council swimming centres will not be disclosed.

Other related parties

Type of Related Party: subsidiary, associate, joint ventures, other	Nature of Transaction	Amount of transaction during the year	Terms and Conditions	Provisions for Doubtful Debts related to the amount of outstanding balances	Expense recognised during period relating to bad or doubtful debts due from related parties
Interest in other entities (MACROC)	Subsidiary interest as a member Council with 33% voting rights	\$46,787.82 total contribution from member Councils - Campbelltown, Camden and Wollondilly \$15,595.94 represents Council's 1/3 share	30 days terms on invoice	\$0	\$0

SUMMARY OF CONTRIBUTIONS

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-cash \$'000					
Community facilities	8,106	1,216	909	183	(9,250)	0	19,664	0
S7.11 under plans	8,106	1,216	909	183	(9,250)	0	19,664	0
S7.11 not under plans	214	0	0	0	214	0	0	0
Parking	892	0	0	10	25	0	877	0
S7.12 levies	9,276	918	0	0	10,183	0	11	0
TOTAL CONTRIBUTIONS	18,488	2,134	909	193	1,172	0	20,552	0

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 infrastructure, requiring Council to borrow or use general revenue to fund the balance.

CONTRIBUTION PLAN NO. 1

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Community facilities	2	0	0	0	2	0	0	0
TOTAL CONTRIBUTIONS	2	0	0	0	2	0	0	0

CONTRIBUTION PLAN NO. 2

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Community facilities	188	0	0	0	188	0	0	0
TOTAL CONTRIBUTIONS	188	0	0	0	188	0	0	0

CONTRIBUTION PLAN NO. 3

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Community facilities	29	0	0	0	29	0	0	0
TOTAL CONTRIBUTIONS	29	0	0	0	29	0	0	0

CONTRIBUTION PLAN NO. 5

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Community facilities	23	0	0	0	23	0	0	0
TOTAL CONTRIBUTIONS	23	0	0	0	23	0	0	0

CONTRIBUTION PLAN NO. 8

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Community facilities	1,410	0	0	0	1,410	0	0	0
TOTAL CONTRIBUTIONS	1,410	0	0	0	1,410	0	0	0

CONTRIBUTION PLAN NO. 9

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Community facilities	6,454	601	909	73	909	0	7,128	0
TOTAL CONTRIBUTIONS	6,454	601	909	73	909	0	7,128	0

CONTRIBUTION PLAN S7.11

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Community facilities	0	615	0	110	(11,811)	0	12,536	0
TOTAL CONTRIBUTIONS	0	615	0	110	(11,811)	0	12,536	0

CONTRIBUTIONS NOT UNDER PLANS - PARKS, GARDENS AND RESERVES

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Residual Community Facilities	0	0	0	0	0	0	0	0
Parking	892	0	0	10	25	0	877	0
Open space	214	0	0	0	214	0	0	0
TOTAL CONTRIBUTIONS	1,106	0	0	10	239	0	877	0

CONTRIBUTION PLAN S7.12

PURPOSE	Opening balance \$'000	Contributions received during year ⁽¹⁾		Interest & investment income earned during year \$'000	Expended during year \$'000	Internal borrowings (to)/from ⁽²⁾ \$'000	Held as restricted asset ⁽³⁾ \$'000	Cumulative balance of internal borrowings (to)/from ⁽⁴⁾ \$'000
		Cash \$'000	Non-Cash \$'000					
Infrastructure	9,276	918	0	0	10,183	0	11	0
TOTAL CONTRIBUTIONS	9,276	918	0	0	10,183	0	11	0

Notes:

Councils must also provide details of each contribution plan under their control in a form provided below.

⁽¹⁾ Reconcilable with Note 3.

⁽²⁾ Borrowings within and between plans during current period only. General fund expenditure in advance of contributions is not shown here.

⁽³⁾ Reconcilable with Note 6 (restricted assets excludes 'amounts expended in advance').

⁽⁴⁾ Cumulative balance of borrowing within and between plans.

	2019 \$'000	2019 Indicators	2018 Indicators	Benchmark
1. Operating performance				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽²⁾	9,696	5.84%	8.35%	>0
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	166,123			
2a. Own source operating revenue				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	142,110	68.7%	58.4%	>60%
Total continuing operating revenue ⁽¹⁾ inclusive of all grants and contributions ⁽⁵⁾	206,843			
2b. Own source operating revenue				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	142,110	82.7%	74.0%	>60%
Total continuing operating revenue ⁽¹⁾ excluding non-cash dedications ⁽⁵⁾	171,936			
3. Unrestricted current ratio				
Current assets less all external restrictions	70,369	2.84x	4.82x	>1.5x
Current liabilities less specific purpose liabilities ⁽³⁾⁽⁴⁾	24,754			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital, excl interest and depreciation	34,644	8.72:1	8.33:1	>2x
Principal repayments (from the Statement of Cash Flows) plus borrowing costs (from the Income Statement)	3,971			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	4,409	3.75%	3.33%	<5%
Rates and annual charges collectible	117,565			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus term deposits	210,470	18.24	19.62	>3
Payments from cash flows of operating and financing activities	138,431	months	months	months

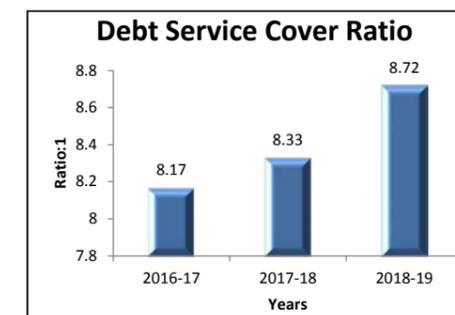
Notes:

- (1) Excludes fair value adjustments, reversals of revaluation decrements, net gain on sale of assets and net loss on interests in joint ventures and associates
- (2) Excludes impairment/revaluation decrements, net loss on sale of assets and net loss on interests in joint ventures and associates
- (3) Refer to Note 12
- (4) \$7.3m ELE transferred out - AASB119 prescribes all leave that is vested to be disclosed as a current liability, however all leave not expected to be settled within the next 12 months is transferred out to determine the unrestricted current ratio.
- (5) This ratio is distorted by non-cash revenues received through the dedication of non-current assets. An additional disclosure is provided in 2b to demonstrate that Council meets the benchmark after excluding \$35m in non-cash dedications and to provide a fair comparison to the benchmark as not all NSW Councils have experienced material non-cash revenues from high levels of growth.



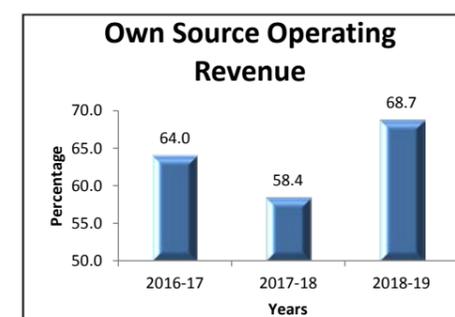
1. Operating Performance

Measures Councils achievement in containing operating expenditure within operating revenue



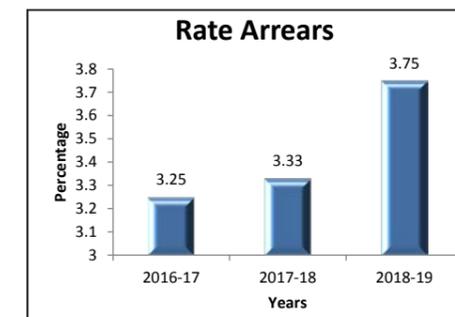
4. Debt Service Cover Ratio

Measures the availability of operating cash to service debt and lease repayments



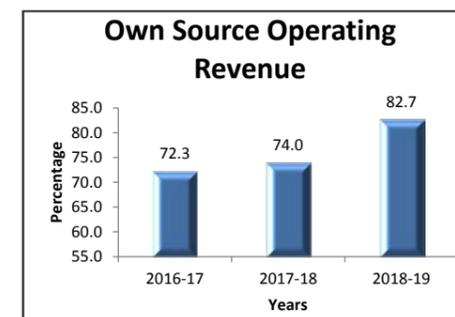
2a. Own Source Operating Revenue

Measures fiscal flexibility and the funding sources such as grants and contributions



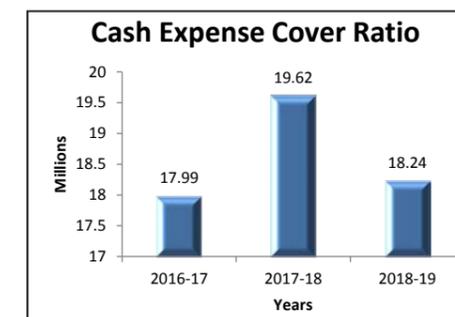
5. Rates & Annual Charges Outstanding

To assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts



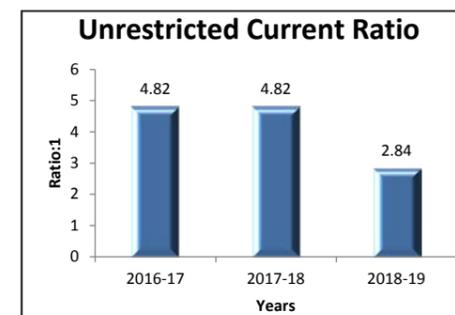
2b. Own Source Operating Revenue

Measures fiscal flexibility and the funding sources such as grants and contributions. This ratio has been adjusted for dedication of non-current assets which distorts the ratio



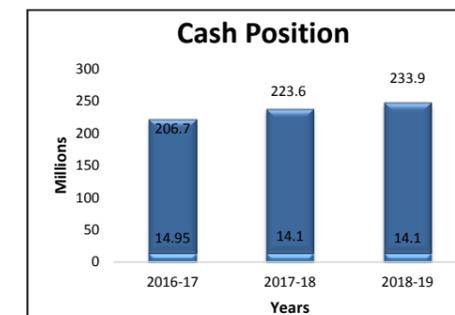
6. Cash Expense Cover Ratio

Indicates the number of months Council can continue paying immediate expenses without additional cash flow



3. Unrestricted Current Ratio

Assesses Council's ability to meet short term obligations as they fall due



7. Cash Position

Shows the amount of unrestricted cash within the total amount of cash held

Council is not aware of any material or significant events after balance date that are not disclosed.



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Campbelltown City Council

To the Councillors of Campbelltown City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 September 2019
SYDNEY



Mayor George Brticevic
 Mayor
 Campbelltown City Council
 PO Box 57
 CAMPBELLTOWN NSW 2560

Contact: Somaiya Ahmed
 Phone no: 02 9275 7424
 Our ref: D1920742/1706

18 September 2019

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	113.7	106.2	↑ 7.1
Grants and contributions revenue	64.7	95.6	↓ 32.3
Operating result for the year	47.6	83.7	↓ 43.1
Net operating result before capital grants and contributions	6.9	13.4	↓ 48.5

Council's operating result (\$47.6 million including the effect of depreciation and amortisation expense of \$24.2 million) was \$36.1 million lower than the 2017–18 result. This was mainly attributable to:

- \$13.3 million higher developer contributions in 2017–18
- \$13.5 million higher non-cash other contributions in 2017–18
- \$3.6 million higher town planning grants in 2017–18.

The net operating result before capital grants and contributions (\$6.9 million) was \$6.5 million lower than the 2017–18 result. This was largely due to \$7.5 million increase in rates and annual charges offset by a decrease of \$1.2 million in grants and contributions for operating purposes and an increase of \$11.6 million in operating expenditure.

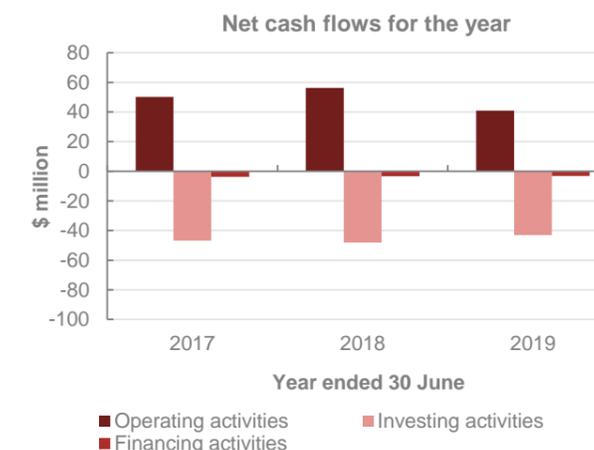
Rates and annual charges revenue (\$113.7 million) increased by \$7.5 million (7.1 per cent) in 2018–2019. This is largely due to:

- rate peg of 2.3 per cent for the year ended 30 June 2019
- increase of \$3.2 million for domestic waste management services.

Grants and contributions revenue (\$64.7 million) decreased by \$30.9 million (32.3 per cent) in 2018–2019 mainly due to decrease in developer and other non-cash contribution revenue.

STATEMENT OF CASH FLOWS

Cash inflows from operating activities decreased in line with decrease in receipts of grants and contribution revenue of \$19.1 million.



FINANCIAL POSITION

Cash and investments

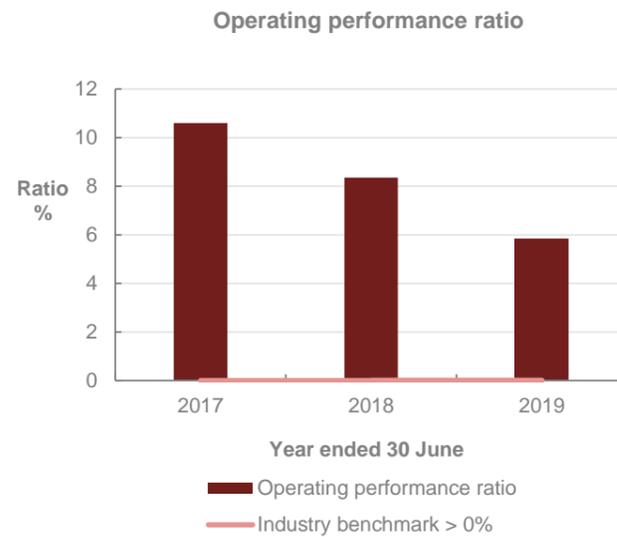
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	60.8	49.5	• Cash and investments increased by \$10.4 million, mainly due to increase in rates and annual charge receipts of \$6.9 million and investment revenue of \$6.5 million.
Internal restrictions	159.1	160.0	
Unrestricted	14.1	14.1	
Cash and investments	234.0	223.6	• Significant externally restricted funds include S94 Developer Contributions of \$19.7 million and unexpended grant of \$15.8 million
			• Significant internally restricted funds include Property Development Fund of \$80.9 million and Future Infrastructure Fund of \$28.4 million.

PERFORMANCE

Operating performance ratio

- Council exceeded the benchmark of greater than zero per cent in 2018–19.
- This ratio decreased over previous year is in line with a \$11.6 million increase in total expenses from continuing operations offset by a \$7.5 million increase in rates and user charges revenue.

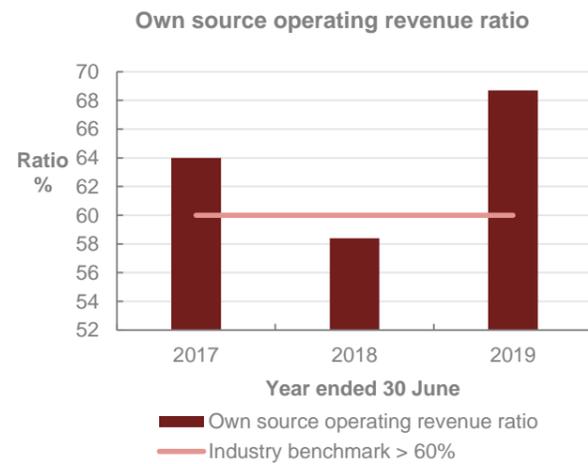
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

- Council met the benchmark of greater than 60 per cent in 2018–19.
- The increase was due to a decrease in grant and contribution funding of \$30.9 million in 2018–19.

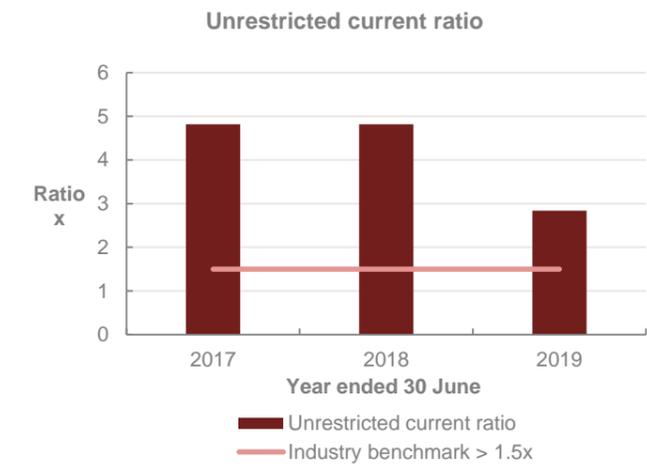
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council continues to exceed the benchmark due to high cash and investment balances.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due.

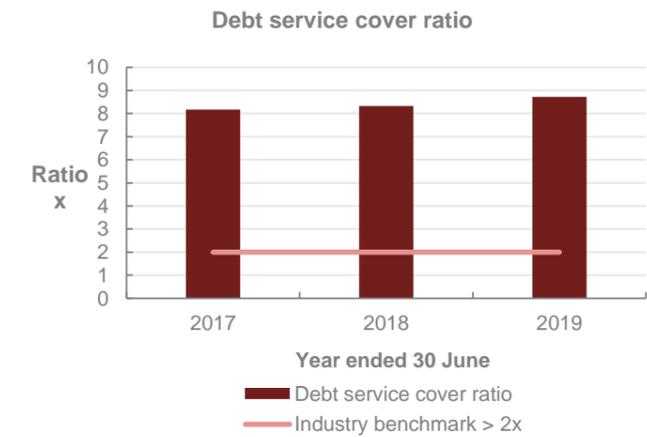
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- Council exceeded the benchmark of greater than two times in 2018–19.
- The ratio increased from previous year mainly due to a reduction in principal payments in borrowings and borrowing costs in 2018–19.

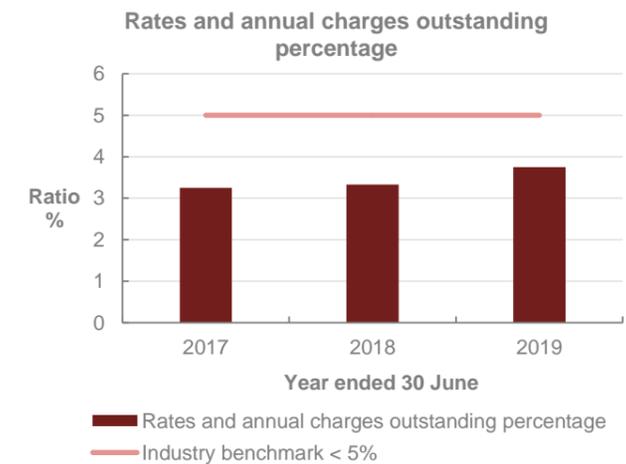
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

Council continues to achieve the benchmark for outstanding rates and annual charges.

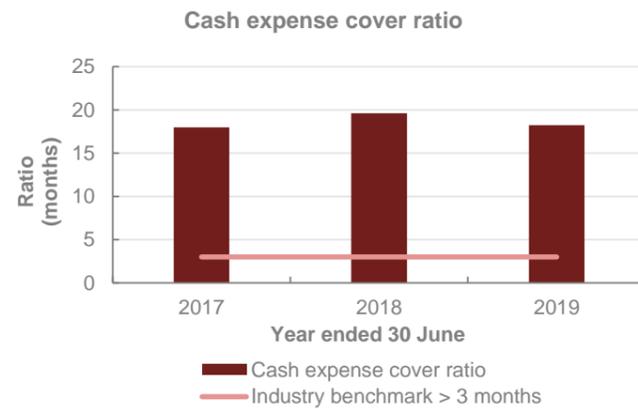
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council exceeded the benchmark of greater than three months.

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



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$19.8 million in 2018–19 (\$19.6 million in 2017–18). Significant renewals included:

- roads renewals of \$7.7 million in 2018–19 (\$8.4 million)
- plant and equipment renewals of \$3.5 million in 2018–19 (\$2.8 million)
- building renewals of \$3.4 million in 2018–19 (\$4.4 million)
- bridges renewals of \$3.1 million in 2018–19 (\$144,000).

In comparison, depreciation expense increased by \$2.4 million from \$21.8 million in 2017–18 to \$24.2 million in 2018–19.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> • a simplified model for classifying and measuring financial assets • a new method for calculating impairment • a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

Legislative compliance

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

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

Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

A close-up photograph of a koala sleeping peacefully on a tree trunk. The koala's eyes are closed, and its body is curled against the rough bark of the tree. The background is a soft-focus green, suggesting a forest setting.

**SPECIAL
PURPOSE
FINANCIAL
REPORTS
FOR THE YEAR
ENDED
30 JUNE 2019**

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Special purpose financial statements for the year ended 30 June 2019

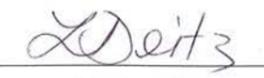
Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

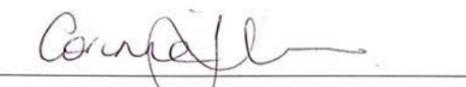
- a) To the best of our knowledge and belief the attached Special Purpose Financial Statements have been prepared in accordance with:
- The *Local Government Act 1993* (NSW) (as amended) and the regulations thereunder
 - The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
 - The Local Government Code of Accounting Practice and Financial Reporting
- b) These statements:
- Present fairly the operating result and financial position for the year
 - Accord with Council's accounting and other records
- c) We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a clause 215(1)(b) of the Local Government (General) Regulation 2005


Cr G Brticevic
MAYOR
17 / 9 / 2019


Cr M Oates
COUNCILLOR
17 / 9 / 2019


Mrs L Deitz
GENERAL MANAGER
17 / 9 / 2019


Mrs C Mears
RESPONSIBLE ACCOUNTING OFFICER
17 / 9 / 2019

Made by resolution of Council on 6 August 2019

for the year ended 30 June 2019

Business activity and category	Business activities					
	Actual 2019 Child Care Centres (Cat.1) \$'000	Actual 2018 Child Care Centres (Cat.1) \$'000	Actual 2019 Recreation Centres (Cat.1) \$'000	Actual 2018 Recreation Centres (Cat.1) \$'000	Actual 2019 Commercial Activities (Cat.2) \$'000	Actual 2018 Commercial Activities (Cat.2) \$'000
Income from continuing operations						
User charges and fees	1,383	1,845	3,185	3,267	1,551	1,638
Interest	0	0	0	0	29	36
Grants and contributions provided for non capital purposes	3,148	2,665	0	0	0	0
Other operating revenues	1	8	345	322	54	56
Total income from continuing operations	4,532	4,518	3,530	3,589	1,634	1,730
Expenses from continuing operations						
Employee benefits and on-costs	4,231	4,222	3,292	3,023	378	412
Materials and contracts	301	231	996	890	38	45
Interest charges	80	71	136	115	9	9
Depreciation, amortisation and impairment	115	90	947	721	3	0
Calculated tax equivalents	354	355	507	503	269	272
Other operating expenses	1,629	1,474	2,085	2,010	271	225
Total expenses from continuing operations	6,710	6,443	7,963	7,262	969	963
SURPLUS/(DEFICIT) FROM ALL OPERATIONS BEFORE TAX	(2,178)	(1,925)	(4,433)	(3,673)	665	767
Corporate taxation equivalent	0	0	0	0	267	297
Surplus/(deficit) after tax	(2,178)	(1,925)	(4,433)	(3,673)	398	470
Dividend payment after tax	0	0	0	0	13	18
CHANGE IN NET ASSETS after dividend	(2,178)	(1,925)	(4,433)	(3,673)	384	452
Opening retained profits/(losses)	(11,673)	(10,841)	(34,993)	(32,516)	22,799	21,657
Adjustments for amounts unpaid						
- Taxation equivalent payments	354	355	507	503	269	272
- Corporate taxation equivalents	0	0	0	0	267	297
- Dividend payments	0	0	0	0	13	18
- Corporate overheads	917	738	676	693	151	103
Closing retained profits/(losses)	(12,580)	(11,673)	(38,243)	(34,993)	23,883	22,799
Return on capital (%)	-13.91%	-12.32%	-8.55%	-7.07%	3.39%	3.92%
Subsidy from Council	2,178	1,925	4,433	3,673	Nil	Nil

STATEMENT OF FINANCIAL POSITION OF BUSINESS ACTIVITIES

as at 30 June 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Business activity and category	Business activities					
	Actual 2019	Actual 2018	Actual 2019	Actual 2018	Actual 2019	Actual 2018
	Child Care Centres (Cat.1) \$'000	Child Care Centres (Cat.1) \$'000	Recreation Centres (Cat.1) \$'000	Recreation Centres (Cat.1) \$'000	Commercial Activities (Cat.2) \$'000	Commercial Activities (Cat.2) \$'000
ASSETS						
Current assets						
Receivables	19	19	47	31	107	63
Total current assets	19	19	47	31	107	63
Non-current assets						
Infrastructure, property, plant and equipment	15,659	15,625	51,869	51,953	19,598	19,579
Total non-current assets	15,659	15,625	51,869	51,953	19,598	19,579
TOTAL ASSETS	15,678	15,644	51,915	51,984	19,705	19,642
LIABILITIES						
Current liabilities						
Payables	17	10	44	66	3	2
Total current liabilities	17	10	44	66	3	2
Non-current liabilities						
Borrowings	0	0	0	0	0	0
Total non-current liabilities	0	0	0	0	0	0
Total liabilities	17	10	44	66	3	2
Net assets	15,661	15,634	51,871	51,918	19,702	19,640
EQUITY						
Accumulated surplus/(loss)	(12,580)	(11,673)	(38,243)	(34,993)	23,883	22,799
Council equity interest	28,241	27,307	90,114	86,911	(4,181)	(3,159)
Total equity	15,661	15,634	51,871	51,918	19,702	19,640

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

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

The figures presented in these SPFS have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretations.

The disclosures in these SPFS have been prepared in accordance with the Local Government Act 1993 (as amended), the Local Government (General) Regulation 2005 and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National competition policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the 'Application of National Competition Policy to Local Government'. The 'Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality' issued by the then Department of Local Government in July 1997 has also been adopted.

The Pricing & Costing Guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return) and dividends paid.

Declared business activities

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

Category 1

Name	Brief description of activity
Child Care Centres	Provision of child care. Council runs eight education and care centres.
Recreation Centres	Provision of indoor heated pools and outdoor pools with three centres providing "dry" areas for other forms of exercise.

Category 2

Name	Brief description of activity
Commercial Activities	These range from shopping centres, ground leases, a neighbourhood store to a cinema complex.

Monetary amounts

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

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (SPFS) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFS. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council nominated business activities (this does not include Council's non-business activities):

	Notional rate applied
Corporate Tax Rate	30%
Land Tax	1.6%
Stamp Duty	Paid where applicable
Payroll Tax	5.45%
Other Taxes or Charges	Where charged, has been paid. Where not charged, has been calculated.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/ (loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the 'Council' as the owner of business operations, it represents an internal payment and has no effect on the operations of the council.

Accordingly, there is no need for disclosure of internal charges in the GPFS. The rate applied of 30% is the equivalent company tax rate prevalent as at reporting date. No adjustments have been made for variations that have occurred during the year.

Local Government rates and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statement of Business Activities.

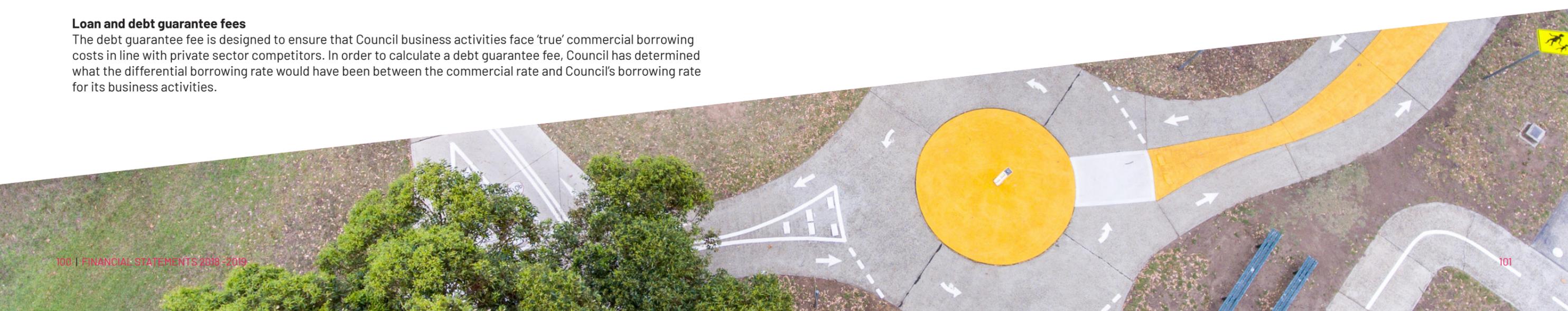
(iii) Return on investments (rate of return)

The Policy statement requires that Councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'. Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities. Consequently, any dividend payment is purely notional. Dividend payments to Council are also restricted to those activities which do not levy special rates or charges (water, sewer, domestic waste management).

End of audited Special Purpose Financial Statements





INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Campbelltown City Council

To the Councillors of Campbelltown City Council

Opinion

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

The Declared Business Activities of the Council are:

- Child Care Centres
- Recreation Centres
- Commercial Activities.

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

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 September 2019
SYDNEY

	2018 - 2019 Calculation \$'000	2019 - 2020 Calculation \$'000
Notional general income calculation⁽¹⁾		
Last year notional income yield	84,014	88,523
plus/minus adjustments ⁽²⁾	<u>2,465</u>	<u>2,006</u>
Notional general income	<u>86,479</u>	<u>90,529</u>
Permissible income calculation		
Special variation ⁽³⁾	0.00%	0.00%
or rate peg	2.30%	2.70%
or crown land adjustment incl. rate peg	0.00%	0.00%
Less expiring special variations amount	0	0
Plus special variation amount	0	0
or plus rate peg amount	1,989	2,444
or plus crown land adjustment and rate peg amount	<u>0</u>	<u>0</u>
Sub total	<u>88,468</u>	<u>92,973</u>
Plus or minus last year's carry forward total	0	(20)
Less valuation objections claimed in previous year	<u>(7)</u>	<u>(42)</u>
Sub total	<u>(7)</u>	<u>(62)</u>
Total permissible income	<u>88,461</u>	<u>92,911</u>
Less notional income yield	<u>(88,523)</u>	<u>(92,982)</u>
catch up or (excess) result	(62)	(72)
plus income lost due to valuation objections claimed ⁽⁴⁾	42	72
less unused catch up ⁽⁵⁾	<u>0</u>	<u>0</u>
Carried forward to next year	<u>(20)</u>	<u>0</u>

⁽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 includes amounts that relate to prior years' rates income.

⁽²⁾ Adjustments account for changes in the number of assessments and any increases or decreases 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 two years. Usually Councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Campbelltown City Council

To the Councillors of Campbelltown City Council

Opinion

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

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

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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



Somaiya Ahmed
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

18 September 2019
SYDNEY

Asset class	Asset category (as determined by Council)	Estimated cost to bring to agreed level of service set by Council	2018/19 required maintenance	2018/19 actual maintenance	Net carrying amount	Gross replacement cost	Asset condition as a % of gross replacement cost					
							0	1	2	3	4	5
	Buildings	2,403	4,342	3,034	223,634	289,133	21.59	44.31	29.90	2.67	0.19	
	Recreational/open space	2,403	4,342	3,034	223,634	289,133						
	Other structures	328	253	231	6,858	10,103	52.38	39.42	0.84	4.26	0	
	Swimming pools	682	883	1,274	37,644	58,895	34.52	35.41	20.15	1.17	0.02	
	Sub Total	116	151	295	4,658	7,525	53.68	22.28	6.03	4.19	0	
	Road surfacing	1,126	1,287	1,800	49,160	76,523						
	Road pavements	2,722	1,209	1,643	87,042	120,927	49.83	32.37	14.27	3.38	0.15	
	Road formation	6,589	624	774	171,900	249,613	29.12	48.02	18.59	4.24	0.03	
	Bridges and culverts	NA	NA	NA	26,258	26,258	NA	NA	NA	NA	NA	
	Footpaths and cycle ways	520	452	158	51,768	90,660	7.69	89.26	2.54	0.01	0	
	Kerb & gutter and traffic islands	3,035	561	584	53,773	91,098	23.34	25.22	47.18	3.55	0.71	
	Traffic management devices	857	562	587	88,715	145,230	17.25	40.14	41.63	0.90	0.08	
	Road furniture	0	292	312	2,366	3,393	26.30	56.96	3.30	0	0	
	Car park surfacing	51	75	0	10,945	16,197	50.57	23.47	12.79	0	0.57	
	Car park pavements	147	49	142	5,735	7,477	41.09	19.33	19.33	2.26	0.04	
	Car park formation	94	NA	NA	6,843	9,847	56.40	38.08	1.76	1.30	1.90	
	Other infrastructures	NA	6	157	2,400	2,400	NA	NA	NA	NA	NA	
	Sub Total	14,015	3,830	4,357	508,064	763,531	431	0	100	0	0	
	Drainage Works	210	28	15	9,921	13,895	19.01	75.58	0.63	1.92	0	
	Stormwater conduits	0	29	0	182,232	230,176	64.37	17.99	0.26	0	0	
	Stormwater pits and headwalls	23	469	582	70,836	93,783	23.06	52.93	0.70	0.02	0	
	Open channels	204	52	0	30,747	41,132	58.95	37.28	1.42	0.39	0	
	Water quality devices	0	27	0	4,559	5,283	23.08	17.42	3.09	0	0	
	Earthwork/embankments	NA	NA	NA	41,539	41,539	NA	NA	NA	NA	NA	
	Sub Total	437	605	597	339,834	425,808						
Totals Classes	Total Assets	17,981	10,064	9,788	1,120,692	1,554,995						

Infrastructure asset condition assessment			
Level	Condition	Description	Level
0	Excellent	No work required (new asset)	3
1	Excellent/very good	No work required (normal maintenance)	4
2	Good	Only minor maintenance work required	5

Infrastructure Asset Performance Indicators

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	Amounts \$'000	2019	2018	Benchmarks
Building and infrastructure renewals ratio				
Asset renewals	18,246			
Depreciation, amortisation and impairment	21,775	84%	81%	>100%

To assess the rate at which these assets are being renewed against the rate they are depreciating

Infrastructure Backlog

Estimated cost to bring assets to a satisfactory condition	17,981			
Carrying value of infrastructure assets	1,120,692	1.60%	1.60%	<2%

Shows what proportion the infrastructure backlog is against the total value of Council's infrastructure

Asset maintenance ratio

Actual asset maintenance	9,788			
Required asset maintenance	10,064	97%	101%	>100%

Compares actual versus required annual asset maintenance

Cost to bring assets to agreed service level

Estimated cost to bring to agreed service level set by Council	17,981			
Gross replacement cost	1,554,995	0.01:1	0.01:1	

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





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