



# Financial Statements

## 2016-2017

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.

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.

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.

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 2017





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These financial statements of Campbelltown City Council and its controlled entities are presented in the Australian currency. Campbelltown City Council is constituted under the *Local Government Act 1993* and has its principal place of business at 91 Queen Street, Campbelltown, NSW 2560.



## General purpose financial reports for the year ended 30 June 2017

### ***Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (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 8 August 2017

A handwritten signature in blue ink, appearing to read 'G. Brticevic', written over a horizontal line.

Cr G Brticevic  
MAYOR

A handwritten signature in blue ink, appearing to read 'M. M. Oates', written over a horizontal line.

Cr M Oates  
COUNCILLOR

A handwritten signature in black ink, appearing to read 'L. Deitz', written over a horizontal line.

Mrs L Deitz  
GENERAL MANAGER

A handwritten signature in black ink, appearing to read 'C. Mears', written over a horizontal line.

Mrs C Mears  
RESPONSIBLE ACCOUNTING OFFICER

# responsible accounting officer's report

This report provides commentary and analysis on Campbelltown City Council's Financial Reports for the 2016-2017 financial year. This report is presented to assist non-financial users to understand the contents of the Financial Statements whilst also providing an executive summary.

## Basis of Account Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the *Local Government Act 1993* and Regulation, and the Local Government Code of Accounting Practice and Financial Reporting (version 25). Campbelltown City Council is a not for profit entity for the purpose of preparing the financial statements. The significant accounting policies used in preparing Campbelltown City Council's Financial Reports are set out in Note 1 to the Financial Statements.

## Operating Result

The operating result before capital grants and contributions (last line of the Income Statement) is a key indicator monitored by the Office of Local Government. Council achieved a surplus of \$78m. This result is reflected on the Income Statement and shows an increase in operating revenue of \$75m and an increase in operating expenditure of \$4.7m.

The surplus is largely represented by an increase of \$4.5m in rates and annual charges revenue due to growth from various developments as well as significant income realised from the sale of a large parcel of land. Total expenditure has increased primarily in the areas of employee costs and materials and contracts.

The operating result also reflects \$22m of recognised revenues for dedications and works in kind of land and other infrastructure assets. The operating result after capital grants and contributions reflects a surplus of \$112m.

## Statement of Financial Position

Council's financial position as at 30 June 2017 continues to demonstrate a sound and stable financial position. The Statement of Financial Position reveals total equity of \$2.588b. This total equity is a reflection of Council's net accumulated financial worth given all assets and liabilities. Total assets amount to \$2.639b and include infrastructure, property, plant and equipment assets (roads, buildings etc) of \$2.403b, less total liabilities of \$51m which is predominantly made up of outstanding loans and provisions.

## Statement of Cash Flows

The Statement of Cash Flows summarises Council's cash receipts and payments for the financial year and the net cash in hand position. Council's cash assets decreased by \$413k to \$2.7m during the financial year ended 30 June 2017. In addition to operating activities which contributed net cash of \$50m, were proceeds from the sale of property, plant and equipment (\$67.3m). Cash outflows were used to purchase new investments, construct and renew fixed assets (\$26m) and repay borrowings (\$3.7m).

## Performance Indicators

Council's financial performance indicators remain stronger than the accepted industry benchmarks. The financial performance indicators, detailed in Note 13 of the Financial Statements, are monitored closely by stakeholders to assess the adequacy of the current position and improvement in Council's financial performance. One of the indicators closely monitored by Council has been the unrestricted current ratio which assesses Council's level of liquidity and the ability to satisfy obligations as and when they fall due. This ratio is currently standing at 7.31:1 compared to the 2015-2016 ratio of 4.61:1. This level is considered very satisfactory and is above the industry benchmark of 1.5:1 and reinforces Council's commitment to providing a cash budget surplus over a number of years.

## Summary

Campbelltown City Council remains in a sound and stable financial position.

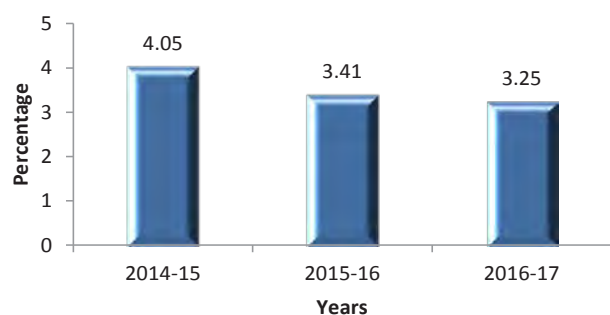
Council's financial performance indicators continue to be above industry benchmarks. Debt levels remain moderate and provided the opportunity to utilise new loan funds to accelerate its capital works program. For the 2016-2017 financial year \$17m was spent on renewal of infrastructure assets.

The original budget estimated a balanced budget which was maintained through quarterly budget financial reviews. The actual funded result was a small surplus of \$98k, an excellent outcome for Council in light of the current vulnerabilities surrounding both the domestic and international economic climate.

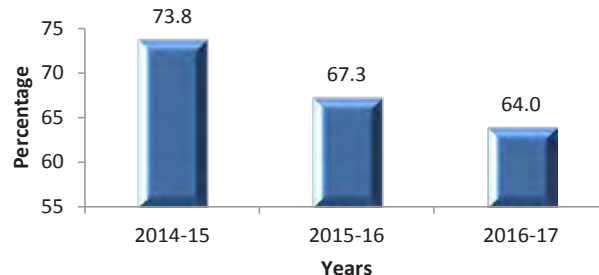
The year's financial achievements were attributable to a combined effort from all divisions and their sections in ensuring budget estimates were maintained while programs, activities and services were still delivered in accordance with identified community and organisational needs.

Corinne Mears  
**Executive Manager Corporate Services and Governance**

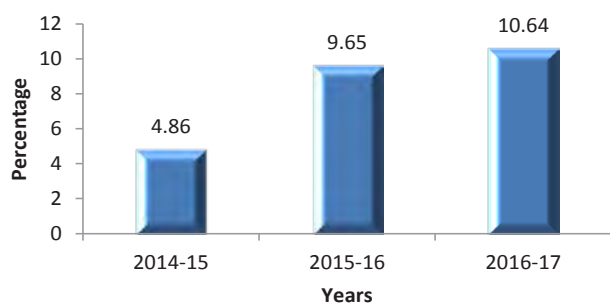
## Rate Arrears



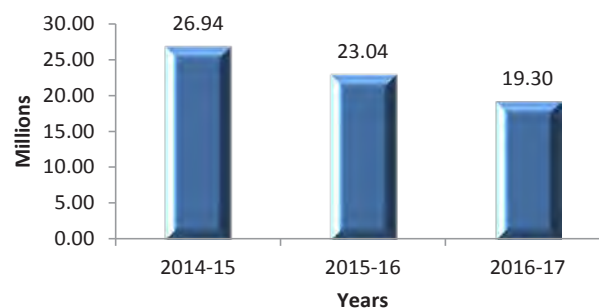
## Own Source Operating Revenue



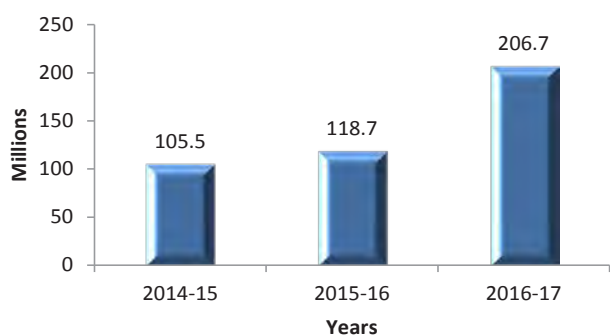
## Operating Performance



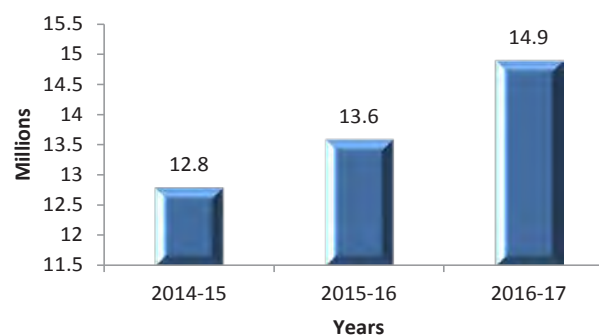
## External Debt Outstanding



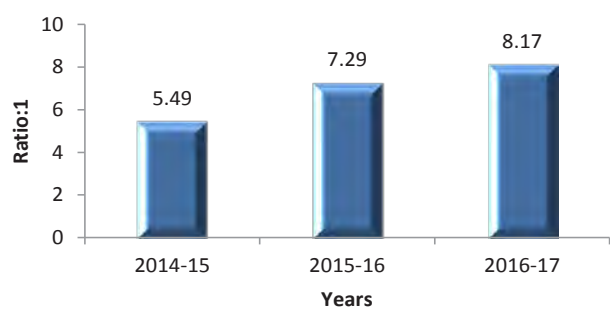
## Total Cash Position



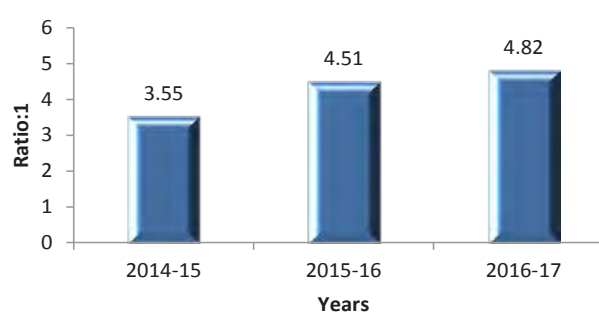
## Total Unrestricted Cash



## Debt Service Cover Ratio



## Unrestricted Current Ratio





# income statement for the year ended 30 june 2017

Original budget * 2017 \$,000		notes	actual 2017 \$,000	actual 2016 \$,000
<b>Income from continuing operations</b>				
97,889	Rates and annual charges	3a	99,880	95,386
12,431	User charges and fees	3b	12,822	13,045
3,215	Interest and investment revenue	3c	5,146	3,886
28,038	Grants and contributions provided for operating purposes	3e,f	36,026	31,415
1,279	Grants and contributions provided for capital purposes	3e,f	33,527	27,472
0	Net gain from the disposal of assets	5	56,703	0
6,381	Other revenues	3d	10,327	8,264
<b>149,233</b>	<b>Total income from continuing operations</b>		<b>254,431</b>	<b>179,468</b>
<b>Expenses from continuing operations</b>				
62,537	Employee benefits and on-costs	4a	60,391	58,770
1,122	Borrowing costs	4b	1,075	1,367
27,600	Materials and contracts	4c	25,320	22,654
22,664	Depreciation and amortisation	4d	20,582	21,471
0	Net loss from the disposal of assets	5	0	832
33,697	Other expenses	4e	35,456	32,985
<b>147,620</b>	<b>Total expenses from continuing operations</b>		<b>142,824</b>	<b>138,079</b>
<b>1,613</b>	<b>Operating result from continuing operations</b>		<b>111,607</b>	<b>41,389</b>
1,613	Attributable to Council		111,607	41,389
<b>334</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>78,080</b>	<b>13,917</b>

\* Original budget as approved by Council - refer to note 16

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

# statement of comprehensive income for the year ended 30 june 2017

	notes	actual 2017 \$,000	actual 2016 \$,000
<b>Net operating result for the year from Income Statement</b>		111,607	41,389
<b>Other comprehensive income</b>			
<b>Amounts which will not be reclassified subsequently to operating result</b>			
Gain / (loss) on revaluation of infrastructure, property, plant and equipment	20b	197,758	9,664
<b>Amounts which will be reclassified subsequently to operating result when specific conditions are met</b>			
Adjustment to correct prior period depreciation errors	20d	0	5,955
<b>Total comprehensive income for the year</b>		<b>309,365</b>	<b>57,008</b>
Attributable to Council		309,365	57,008

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

# statement of financial position as at 30 june 2017

	notes	actual 2017 \$,000	actual 2016 \$,000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	2,710	3,123
Investments	6b	143,956	115,594
Receivables	7	7,755	6,511
Inventories	8	342	8,113
Other	8	0	25
Non-current assets classified as held for sale	22	222	222
<b>Total current assets</b>		<b>154,985</b>	<b>133,588</b>
<b>Non-current assets</b>			
Investments	6	60,000	0
Receivables	7	0	0
Inventories	8	1,053	1,053
Infrastructure, property, plant and equipment	9	2,402,862	2,180,779
Investment property	14	19,689	15,309
<b>Total non-current assets</b>		<b>2,483,604</b>	<b>2,197,141</b>
<b>Total assets</b>		<b>2,638,589</b>	<b>2,330,729</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	10a	6,395	5,402
Borrowings	10a	3,551	3,743
Provisions	10a	19,632	19,690
Income received in advance	10a	2,195	1,899
<b>Total current liabilities</b>		<b>31,773</b>	<b>30,734</b>
<b>Non-current liabilities</b>			
Borrowings	10a	15,691	19,157
Provisions	10a	3,162	2,240
<b>Total non-current liabilities</b>		<b>18,853</b>	<b>21,397</b>
<b>Total liabilities</b>		<b>50,626</b>	<b>52,131</b>
<b>Net assets</b>		<b>2,587,963</b>	<b>2,278,598</b>
<b>Equity</b>			
Retained earnings	20	1,004,340	892,733
Revaluation reserves	20	1,583,623	1,385,865
<b>Total equity</b>		<b>2,587,963</b>	<b>2,278,598</b>

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

# statement of changes in equity as at 30 june 2017



Japanese Garden, Arts Centre



Campbelltown Arts Centre



	Note	2017 \$,000						2016 \$,000					
		Retained earnings	Asset revaluation reserve	Other reserves	Council equity interest	Non controlling interest	Total equity	Retained earnings	Asset revaluation reserve	Other reserves	Council equity interest	Non controlling interest	Total equity
Opening balance	20	892,733	1,385,865	0	2,278,598	0	2,278,598	845,389	1,280,035	0	2,125,424	0	2,125,424
Correction of errors	20d	0	0	0	0	0	0	5,955	96,166	0	102,121	0	102,121
Changes in accounting policy	20d	0	0	0	0	0	0	0	0	0	0	0	0
Restated opening balance	20	892,733	1,385,865	0	2,278,598	0	2,278,598	851,344	1,376,201	0	2,227,545	0	2,227,545
Net operating result for year	20	111,607	0	0	111,607	0	111,607	41,389	0	0	41,389	0	41,389
Other comprehensive income	20	0	197,758	0	197,758	0	197,758	0	9,664	0	9,664	0	9,664
Total comprehensive income	20	111,607	197,758	0	309,365	0	309,365	41,389	9,664	0	51,053	0	51,053
Closing balance	20	1,004,340	1,583,623	0	2,587,963	0	2,587,963	892,733	1,385,865	0	2,278,598	0	2,278,598

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 2017

<b>budget 2017 \$,000</b>		<b>notes</b>	<b>actual 2017 \$,000</b>	<b>actual 2016 \$,000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts:</b>				
97,889	Rates and annual charges		100,255	95,864
15,724	User charges and fees		16,553	17,540
3,215	Investment revenue and interest		4,726	3,739
26,025	Grants and contributions		44,037	37,613
0	Deposits and retentions received		520	222
6,380	Other		4,779	9,547
<b>Payments:</b>				
(62,537)	Employee benefits and on-costs		(59,334)	(58,917)
(26,058)	Materials and contracts		(25,006)	(24,863)
(1,122)	Borrowing costs		(1,002)	(1,184)
0	Deposits and retentions refunded		(17)	(31)
(33,697)	Other		(35,414)	(32,933)
25,819	Net cash provided by/or used in operating activities	11b	50,097	46,598
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts:</b>				
1,274	Sale of infrastructure, property, plant and equipment		2,364	1,642
0	Sale of real estate assets		65,000	0
0	Sale of investments		53,820	51,065
<b>Payments:</b>				
0	Purchase of investments		(142,183)	(63,952)
(20,990)	Purchase of infrastructure, property, plant and equipment		(25,768)	(31,127)
0	Capital expenditure on investment properties		0	(33)
0	Purchase of real estate assets		0	0
(19,716)	Net cash provided by/or used in investing activities		(46,767)	(42,405)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts:</b>				
0	Borrowing and advances		0	0
0	Other		0	0
<b>Payments:</b>				
(3,743)	Borrowing and advances		(3,743)	(3,906)
0	Other		0	0
(3,743)	Net cash provided by/or used in financing activities		(3,743)	(3,906)
2,360	Net increase/(decrease) in cash assets and cash equivalents		(413)	287
	Cash and cash equivalents at beginning of reporting period	11a	3,123	2,836
2,360	Cash and cash equivalents at end of reporting period	11a	<b>2,710</b>	<b>3,123</b>

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 2017



# note 1 - summary of significant accounting policies

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.

## **(a) Basis of preparation**

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

### *Historical cost convention*

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

### *Significant accounting estimates and judgements*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

### *Critical accounting estimates and judgements*

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

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

### *Significant judgements in applying Council's accounting policies*

- i. Impairment of receivables – Council has made a significant judgement about the impairment of its receivables in note 7.

## **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to 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.

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

### **Rates, annual charges, grants and contributions**

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

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

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

**User charges and fees**

User charges and fees are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

**Sale of infrastructure, property, plant and equipment**

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

**Interest**

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

**Rent**

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

**Other income**

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

**(c) Principles of consolidation****(i) The Consolidated Fund**

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

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

- General purpose operations
- 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 total revenue and expenditure from continuing operations and the net assets held by this Committee are as follows:

Total income from continuing operations	\$24,000
Total expenditure from continuing operations	\$21,000
Total net assets (Equity) held	\$54,000

Note: Where actual figures are not known, best estimates have been applied.

**(ii) The Trust Fund**

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

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 office by any person free of charge.

**(iii) Interests in other entities**

Subsidiaries are all entities over which Council has control. Control is established when Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

## note 1 - summary of significant accounting policies cont.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end. A list of controlled entities is contained in Note 19 to the financial statements.

### (d) Leases

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

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

### (e) Impairment of assets

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

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

### (f) Cash and cash equivalents

For statement of cash flow presentation purposes, cash and cash equivalents 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.

### (g) Inventories

#### (i) **Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

#### (ii) **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.



#### **(h) Non-current assets (or disposal groups) held for sale**

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

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell the asset, 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 derecognition.

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

#### **(i) Investments and other financial assets**

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.

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

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

##### **(ii) *Loans and receivables***

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the statement of financial position.

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

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

##### **(iii) *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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities of less than 12 months from the reporting date, which are classified as current assets.

### **(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. 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.

### **Subsequent measurement**

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

### **Impairment**

Council assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### **(i) Assets carried at amortised cost**

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 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 and loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Collectability of receivables is reviewed on an on-going basis. Debts which 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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

### **Investment policy**

Council has an approved investment policy complying with Section 625 of the *Local Government Act 1993* (NSW) and Clause 212 of the *Local Government (General) Regulation 2005* (NSW). Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

## **(j) Fair value estimation - financial instruments**

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

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

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

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

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

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

- 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 (as approximated by depreciated historical cost)
- Other structures (internal/external valuation)
- Other assets (as approximated by depreciated historical cost).

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.

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

Office equipment	5-10 years	Drains	80 years
Office furniture	5-15 years	Culverts	80 years
Vehicles	5 years	Flood control structures	80 years
Other plant	4-20 years	Sealed roads - surface	15 years
Buildings - masonry	60-400 years	Sealed roads - structure	50 years
Buildings - other	10-200 years	Unsealed roads	50 years
Playground equipment	15 years	Bridges - concrete	100 years
Benches, seats etc	20 years	Bridges - other	30 years
Dams, reservoirs	1000 years	Bulk earthworks	1000 years
Reticulation pipes - pvc	50 years		
Reticulation pipes - other	175 years		

## note 1 - summary of significant accounting policies cont.

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.

### **(l) Investment property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Changes in fair values are recorded in profit or loss 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.

### **(m) 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.

### **(n) Borrowings**

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

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

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

### **(o) Borrowing costs**

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

### **(p) Provisions**

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

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

Provisions are measured at the present value of 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.



**(q) Employee benefits**

**(i) 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.

**(ii) 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.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

**(iii) Retirement benefit obligations**

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

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. When this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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

**(r) Land under roads**

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

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

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

### **(s) 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 10. Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

### **(t) Intangible assets**

#### *IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

### **(u) Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's income statement. Representations from both State and Local Government are being sought to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

### **(v) Rural fire assets**

Under Section 119 of the *Rural Fire Services Act 1997* (NSW) "all fire fighting 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 fire fighting equipment has been purchased or constructed." 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.

### **(w) 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 asset or as part of the expense.

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

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

### **(x) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period. Council's assessment of the impact of these new standards and interpretations is set out below.

AASB124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however Note 28 has been added.

## *Pronouncement*

### AASB9 Financial Instruments and Associated Amending Standards

#### *Nature of the change in accounting policy*

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. Impairment of assets is now based on expected losses in AASB9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

#### *Effective date*

Annual reporting periods beginning on or after 1 January 2018; ie, Councils' financial statements for year ended 30 June 2019.

#### *Expected impact on Council's Financial Statements*

The available-for-sale investments held will be classified at fair value through OCI and will no longer be subject to impairment testing. The impairment loss recognised in the current year financial statements in relation to these statements was \$0.

The model for determining impairment losses in relation to receivables will be amended. The impact of the new model has not been quantified, although some impairment may be recognised earlier.

Other impacts on the reported financial position and performance have not yet been determined.

## *Pronouncement*

### AASB16 Leases

#### *Nature of the change in accounting policy*

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.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.

A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

#### *Effective date*

Annual reporting periods beginning on or after 1 January 2019; ie, Councils' 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 any account any operating leases in accordance with the standard.

# note 1 - summary of significant accounting policies cont.

## *Pronouncement*

AASB1058 Income for Not for Profit Entities

## *Nature of change in accounting policy*

AASB1058 supersedes all the income recognition requirements relating to Councils, previously in AASB1004 Contribution. 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.

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 principally to enable the entity to further its objectives. In the latter case, the Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (eg AASB116 Property, Plant and Equipment). Upon initial recognition of the asset, this Standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:

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

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (ie, an in-substance acquisition of a non-financial asset), the Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Council will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB15.

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.

## *Effective date*

Annual reporting periods beginning on or after 1 January 2019; ie, Councils' financial statements for year ended 30 June 2020.

## *Expected impact on Council's Financial Statements*

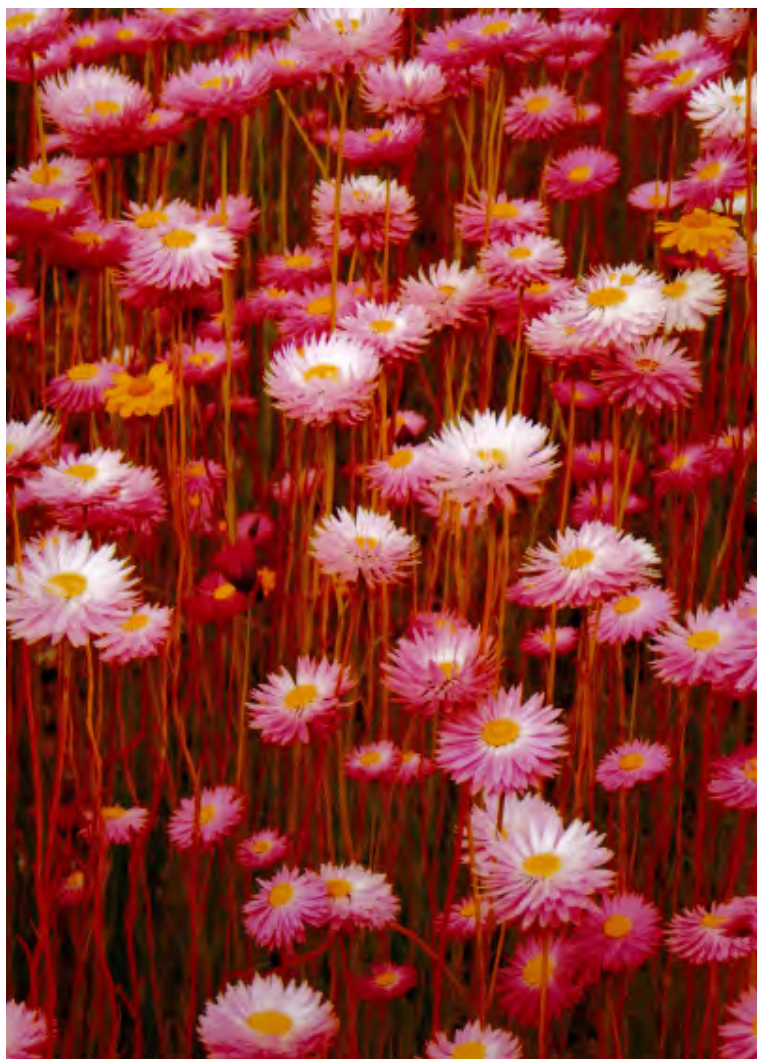
The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. Each revenue stream, including grant agreements will be reviewed to determine the impact of AASB1058.





Campbelltown Sports Stadium, West Tigers NRL game

Bright Bloom, Holly Driver - Flora and Fauna, overall winner



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

FUNCTIONS/ACTIVITIES	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 budget 2017 \$,000	actual 2017 \$,000	actual 2016 \$,000	original budget 2017 \$,000	actual 2017 \$,000	actual 2016 \$,000	original budget 2017 \$,000	actual 2017 \$,000	actual 2016 \$,000	actual 2017 \$,000	actual 2016 \$,000	actual 2017 \$,000	actual 2016 \$,000
Governance	0	5	1	1,349	1,320	622	(1,349)	(1,315)	(621)	0	0	36	120
Administration	2,728	2,499	3,210	40,480	24,580	26,168	(37,752)	(22,081)	(22,958)	0	0	452,410	316,483
Public Order & Safety	853	1,152	817	4,542	5,138	4,446	(3,689)	(3,986)	(3,629)	490	204	47,537	35,175
Health	616	633	599	2,050	2,192	2,062	(1,434)	(1,559)	(1,463)	0	0	942	958
Environment	20,238	23,277	23,847	26,085	25,350	24,806	(5,847)	(2,073)	(959)	1,018	1,298	779	723
Community Services & Education	9,715	10,032	10,425	12,054	14,732	14,493	(2,339)	(4,700)	(4,068)	6,988	7,598	18,146	18,775
Housing & Community Amenities	1,999	8,755	8,762	7,665	9,505	7,791	(5,666)	(750)	971	625	803	489,161	426,779
Recreation & Culture	6,305	8,012	7,885	29,797	33,943	32,898	(23,492)	(25,931)	(25,013)	1,771	2,027	576,733	558,088
Mining, Manufacturing & Construction	2,917	3,378	4,158	3,003	2,624	2,484	(86)	754	1,674	0	0	430	334
Transport & Communication	6,982	30,916	23,417	16,919	18,698	18,270	(9,937)	12,218	5,147	7,579	9,525	1,015,770	943,581
Economic Affairs	5,416	66,841	6,195	3,179	4,742	4,039	2,237	62,099	2,156	0	0	36,645	29,713
Totals Functions/Activities	57,769	155,500	89,316	147,123	142,824	138,079	(89,354)	12,676	(48,763)	18,471	21,455	2,638,589	2,330,729
General Purpose Income <sup>1</sup>	91,464	98,931	90,152	497	0	0	90,967	98,931	90,152	15,227	10,727		
Net Operating result for the year <sup>2</sup>	149,233	254,431	179,468	147,620	142,824	138,079	1,613	111,607	41,389	33,698	32,182	2,638,589	2,330,729

<sup>1</sup> Includes: rates and annual charges (incl ex-gratia); non-capital general purpose grants; interest on investments

<sup>2</sup> As reported on the income statement

## note 2b - components of functions

The activities relating to Council's functions reported in Note 2a are as follows:

### **Governance**

Costs relating to Council's role as a component of democratic government, including elections, Councillors fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, public disclosure (eg GIPA) and legislative compliance.

### **Administration**

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

### **Public Order and Safety**

Fire protection, emergency services, enforcement of regulations, animal control.

### **Health**

Immunisations, food control, health centres.

### **Environment**

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

### **Community Services and Education**

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

### **Housing and Community Amenities**

Public conveniences; street lighting; town planning; other community amenities including housing development and accommodation for families and children, aged persons, disabled persons, migrants and indigenous persons.

### **Recreation and Culture**

Public libraries, art galleries, community centres and halls including public halls; sporting grounds and venues; swimming pools; parks; gardens, other sporting recreational and cultural services.

### **Mining, Manufacturing and Construction**

Building control, quarries and pits, mineral resources.

### **Transport and Communication**

(Urban local, Urban regional): includes sealed and unsealed roads, bridges, footpaths and parking areas.

### **Economic Affairs**

Tourism and area promotion, industrial development promotion, real estate development, other business undertakings.

## note 3 - income from continuing operations

	actual 2017 \$,000	actual 2016 \$,000
<b>(a) Rates and Annual Charges</b>		
<b>Ordinary rates</b>		
Residential	55,993	52,744
Farmland	626	640
Business	17,997	17,751
Mining	24	24
<b>Total ordinary rates</b>	<b>74,640</b>	<b>71,159</b>
<b>Special rates</b>		
Infrastructure	5,793	5,692
<b>Total special rates</b>	<b>5,793</b>	<b>5,692</b>
<b>Annual charges (pursuant to s496 and s501)</b>		
Domestic waste management services	17,605	16,964
Waste management services (not domestic)	517	528
Stormwater management services	1,325	1,043
<b>Total annual charges</b>	<b>19,447</b>	<b>18,535</b>
<b>Total rates and annual charges</b>	<b>99,880</b>	<b>95,386</b>

Council has used 2015 valuations provided by the NSW Valuer General in calculating its rates. Valuations are updated every three years.

	actual 2017 \$,000	actual 2016 \$,000
<b>(b) User Charges and Fees</b>		
<b>User charges (pursuant to s502)</b>		
Waste water disposal	360	534
Hire of Council facilities	4,351	4,180
Memberships	699	697
Child care fees	2,848	2,595
Property rented	2,280	2,180
Other	80	74
<b>Total user charges</b>	<b>10,618</b>	<b>10,260</b>
<b>Fees (discretionary)</b>		
Private works	137	153
s611	84	92
Inspection fees	667	600
Building services	752	856
Road/footpath reinstatement	469	981
Other	95	103
<b>Total user fees</b>	<b>2,204</b>	<b>2,785</b>
<b>Total user charges and fees</b>	<b>12,822</b>	<b>13,045</b>
<b>(c) Interest and Investment Revenue</b>		
Overdue rates and charges	206	259
Cash, cash equivalents and investments	4,940	3,627
<b>Total interest revenue</b>	<b>5,146</b>	<b>3,886</b>
<b>(d) Other Revenues</b>		
Events and promotions	145	99
Fair value increments - investment properties	4,380	0
Fines	1,527	1,521
Recycling income (not domestic)	0	4
Legal fees recovery (rates)	742	709
Insurance claims	38	114
Commissions and agency fees	365	334
Sundry contributions to works	1,089	707
Minor equipment sold	21	15
Sale of animals	181	160
Sale of consumables	307	304
Sale of property	873	3,480
Rebates	100	54
Other	559	763
<b>Total other revenue from continuing operations</b>	<b>10,327</b>	<b>8,264</b>



## note 3 - income from continuing operations cont.

	operating 2017 \$,000	capital 2017 \$,000	operating 2016 \$,000	capital 2016 \$,000
<b>(e) Grants</b>				
General purpose (untied)				
Financial assistance - general purpose component	11,982	0	8,323	0
Financial assistance - local roads component	2,461	0	1,617	0
Pensioner rates subsidies				
- General	784	0	792	0
Specific purpose				
Pensioner rates subsidies				
- DWM	261	0	260	0
Transport	4,161	4,046	3,400	6,735
Drainage	0	0	0	350
Child care	4,657	0	4,651	0
Heritage and culture	480	0	495	0
Aged and community care	1,576	0	2,826	0
Libraries	391	0	384	0
Emergency services	463	0	204	0
Environmental planning	97	0	199	0
Sport and recreation	0	364	0	575
Other	1,839	136	1,045	326
<b>Total grants</b>	<b>29,152</b>	<b>4,546</b>	<b>24,196</b>	<b>7,986</b>
Comprising:				
- Commonwealth funding	21,458	121	16,747	685
- State funding	7,410	3,615	7,164	7,189
- Other funding	284	810	285	112
<b>(f) Contributions</b>				
Developer contributions (S94)				
- open space	0	3,465	0	3,035
- community facilities	436	3,337	426	3,567
RMS contributions	651	0	688	0
Regulatory/statutory fees	3,513	0	4,516	0
Other councils	335	0	136	0
Community bodies/clubs	9	0	8	0
Donations/sponsorships	200	0	100	0
Minto community library	0	0	0	0
Car lease contributions	481	0	445	0
Car parking	0	0	0	146
Regional/property development	236	0	236	0
Waste performance improvement	0	0	0	0
Road network improvement	0	0	0	0
Playing field improvements	0	0	0	0
Child care	0	0	0	0
Transport	0	0	0	0
Dedications	0	22,013	0	12,651
Interest rate subsidies	511	0	428	0
Other	502	166	236	87
<b>Total contributions</b>	<b>6,874</b>	<b>28,981</b>	<b>7,219</b>	<b>19,486</b>
<b>Total grants and contributions</b>	<b>36,026</b>	<b>33,527</b>	<b>31,415</b>	<b>27,472</b>

	actual 2017 \$,000	actual 2016 \$,000
<b>(g) Unspent Grants and Contributions</b>		
Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner:		
Grants and contributions recognised in the current period which have not been spent	15,840	8,336
Grants and contributions received for the provision of goods and services in a future period	0	0
Grants and contributions recognised in previous reporting periods which have been spent in the current period	(6,755)	(5,606)

The tall and the short of it all, Glenn Smith



## note 4 - expenses from continuing operations

	actual 2017 \$,000	actual 2016 \$,000
<b>(a) Employee Benefits and On Costs</b>		
Salaries and wages	45,790	45,596
Travel expenses	108	50
Employee leave entitlements	7,042	7,015
Superannuation	5,316	5,374
Workers compensation insurance - claims and admin costs	601	467
Workers compensation - increase in claims liability	1,190	0
Fringe benefits tax	279	321
Training costs (excluding salaries)	390	390
Less: capitalised costs	(325)	(443)
<b>Total employee costs expensed</b>	<b>60,391</b>	<b>58,770</b>
<b>(b) Borrowing Costs</b>		
Interest on loans	990	1,246
Amortisation of discounts and premiums		
- Interest free loan received	85	121
<b>Total borrowing costs expensed</b>	<b>1,075</b>	<b>1,367</b>
<b>(c) Materials and Contracts</b>		
Raw materials and consumables	4,438	4,437
Contractor and consultancy costs	19,545	16,951
Remuneration of Auditors <sup>1</sup>	170	99
Legal fees:		
- planning and environment	44	32
- other	885	884
Operating leases: computers	238	251
<b>Total materials and contracts</b>	<b>25,320</b>	<b>22,654</b>
<sup>1</sup> During the year the following fees were paid for services provided by the Auditor General		
- audit and review of financial statements	125	0
<b>Total fees paid to the Auditor General</b>	<b>125</b>	<b>0</b>
During the year the following year fees were paid for services provided by other audit firms		
- audit and review of financial statements and other audit work	38	99
- other non assurance services	7	0
<b>Total fees paid to other audit firms</b>	<b>45</b>	<b>99</b>

	actual 2017 \$,000	actual 2016 \$,000
<b>(d) Depreciation, Amortisation and Impairment</b>		
Plant and equipment	1,790	1,835
Office equipment	282	319
Furniture and fittings	57	162
Land improvements - depreciable	477	239
Infrastructure:		
- Buildings	2,776	2,741
- Other structures and swimming pools	1,846	1,757
- Infrastructure - roads, bridges and footpaths, other road assets	10,931	12,154
- Infrastructure - storm water drainage	2,145	1,911
Other assets - other		
- library books	278	284
- other	0	69
<b>Total depreciation and amortisation costs</b>	<b>20,582</b>	<b>21,471</b>
<b>Impairment <sup>(1)</sup></b>		
Infrastructure assets	0	0
<b>Total impairment costs</b>	<b>0</b>	<b>0</b>

<sup>(1)</sup> Impairment losses for revalued assets are to be 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.

	actual 2017 \$,000	actual 2016 \$,000
<b>(e) Other Expenses</b>		
Advertising	735	874
Aged care expenses	685	692
Bad and doubtful debts	250	113
Bank charges and fees	93	96
Cash collection charges	20	20
Child care expenses	1,501	1,517
Computer equipment and fees	2,193	1,957
Consultants fees	2,028	1,607
Contributions and donations	531	655
Electricity	1,254	1,213
Fair value decrements - investment properties	0	0
Emergency services levies (incl FRNSW, SES, RFS)	1,400	1,332
Equipment maintenance and repairs	93	136
Equipment/furniture and fittings	486	378
Hired personnel	2,002	1,585
Insurance	2,030	1,707
Mayoral fee	60	62
Councillors fees	346	351
Councillors (incl Mayor) expenses	258	141

## note 4 - expenses from continuing operations cont.

	actual 2017 \$,000	actual 2016 \$,000
<b>(e) Other Expenses cont.</b>		
Office expenses	95	93
Planning levy	115	112
Postage and agency fees	355	355
Professional fees	1,011	479
Regional development	27	26
Self insurance expenses	411	426
Seminar/conference/civic functions	251	277
Street lighting	3,312	3,022
Telephone	556	566
Tipping fees/contributions	6,766	6,419
Utility charges	327	263
Valuer General's Department	354	411
Waste levy	2,438	2,615
Water rates	857	849
Other	2,616	2,636
<b>Total other expenses from continuing operations</b>	<b>35,456</b>	<b>32,985</b>

## note 5 - gain or loss on disposal of assets

	actual 2017 \$,000	actual 2016 \$,000
<b>Gain (or loss) on disposal of infrastructure, property, plant and equipment</b>		
Proceeds from disposal	67,358	1,637
Less: carrying amount of assets sold	(10,655)	(2,469)
Gain (or loss) on disposal	56,703	(832)
<b>Net gain (or loss) on disposal of assets</b>	<b>56,703</b>	<b>(832)</b>



## note 6a - cash and cash equivalents

	actual 2017		actual 2016	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>Cash Assets</b>				
Cash at bank and on hand	1,557	0	2,088	0
Deposits at call	1,153	0	1,035	0
Term deposits	0	0	0	0
<b>Total cash assets</b>	<b>2,710</b>	<b>0</b>	<b>3,123</b>	<b>0</b>

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.

## note 6b - investments

	actual 2017		actual 2016	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>The following financial assets are held as investments:</b>				
Financial assets at fair value through profit and loss - held for trading <sup>1</sup>	35,537	20,000	10,000	0
Held to maturity investments	108,419	40,000	105,594	0
<b>Total</b>	<b>143,956</b>	<b>60,000</b>	<b>115,594</b>	<b>0</b>
<b>Financial assets at fair value through profit and loss - held for trading</b>				
Comprising:				
Managed funds	35,537	0	0	0
Floating rate notes	0	20,000	10,000	0
Bills of exchange	0	0	0	0
	<b>35,537</b>	<b>20,000</b>	<b>10,000</b>	<b>0</b>
<b>Held to maturity investments</b>				
Comprising:				
Term deposits	105,609	40,000	102,784	0
Treasury Corporation	2,810	0	2,810	0
	<b>108,419</b>	<b>40,000</b>	<b>105,594</b>	<b>0</b>

Securities have been invested in accordance with Section 625 of the *Local Government Act 1993*. The deposits are bearing rates between 2.32% and 3.40% (2016 - 2.76% and 3.25%).

<sup>1</sup> Refer to note 27 fair value measurement for information regarding the fair value of investments held.

## note 6c - restricted cash, cash equivalents and investments

	actual 2017		actual 2016	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>Total cash, cash equivalents and investments</b>	146,666	60,000	118,717	0
External restrictions	42,160	0	30,104	0
Internal restrictions	89,557	60,000	75,017	0
Unrestricted	14,949	0	13,596	0
<b>Total</b>	146,666	60,000	118,717	0

	opening balance \$,000	transfers to restrictions \$,000	transfers from restrictions \$,000	closing balance \$,000
<b>EXTERNAL RESTRICTIONS</b>				
<b>Included in liabilities</b>				
Self insurance claims (C)	3,870	1,770	0	5,640
<b>Other</b>				
Developer contributions - S94 (D)	11,572	4,268	0	15,840
Developer contributions - Other (D)	934	7	0	941
Specific purpose unexpended grants (F)	4,004	5,587	0	9,591
Domestic waste management (G)	4,737	788	0	5,525
General contributions (D)	4,241	0	777	3,464
Storm water management levy (G)	746	413	0	1,159
<b>Total external restrictions</b>	30,104	12,833	777	42,160

<b>INTERNAL RESTRICTIONS</b>				
<b>Included in liabilities</b>				
Employee leave entitlements (J)	10,577	0	777	9,800
<b>Other</b>				
Committed works funded by loans (K)	2,504	630	0	3,134
Property development (K)	13,960	65,522	0	79,482
Replacement of fleet, plant and vehicles (K)	3,522	684	0	4,206
Future infrastructure fund (K)	25,457	3,028	0	28,485
Asset replacement (K)	5,535	613	0	6,148
Self insurance (K)	1,510	0	1,010	500
Committed works (K)	5,454	5,615	0	11,069
Local Government elections (K)	639	91	0	730
Heritage funds (J)	52	3	0	55
Community bus (K)	98	0	49	49
Olympic ambassador (K)	105	5	0	110
Motor vehicle insurance excess (K)	1,419	161	0	1,580
Public liability claims (K)	2,178	0	285	1,893
Industrial special risk insurance (K)	1,539	258	0	1,797
Environment planning (K)	78	105	0	183
Environmental sustainability (K)	390	0	54	336
<b>Total internal restrictions</b>	75,017	76,715	2,175	149,557
<b>TOTAL RESTRICTIONS</b>	105,121	89,548	2,952	191,717

- C. Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D. Development contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F. Grants and contributions which are not yet expended for the purposes for which the grants were obtained (See Note 1).
- G. Water, Sewerage and Domestic Waste Management (DWM) funds are externally restricted assets which must be applied for the purposes for which they were raised.
- J. Reserves created by resolution of Council to provide cash resources relating to the liability in Note 10.
- K. Reserves created by resolution of Council for future expenditure for the purposes stated.

Greg Percival Library and Community Centre, Ingleburn



## note 7 - receivables

Purpose	actual 2017		actual 2016	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
Rates and annual charges	2,899	232	2,867	232
Interest and extra charges	591	46	641	47
User charges and fees	688	0	396	0
Accrued revenues	1,314	0	878	0
Government grants and subsidies	806	0	815	0
Private works	3	0	6	0
Sundry debtors	1,705	0	1,037	0
<b>TOTAL</b>	<b>8,006</b>	<b>278</b>	<b>6,640</b>	<b>279</b>
Less: provision for impairment				
- rates and annual charges	(126)	(278)	(113)	(279)
- development reserve	(7)	0	(7)	0
- user charges and fees	(9)	0	(9)	0
- other	(109)	0	0	0
	<b>7,755</b>	<b>0</b>	<b>6,511</b>	<b>0</b>

### RESTRICTED RECEIVABLES

	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>Externally Restricted Receivables</b>				
Domestic waste management	512	0	536	0
Loan rates	0	0	0	0
Other rates	0	0	0	0
Parking contributions	0	0	0	0
	<b>512</b>	<b>0</b>	<b>536</b>	<b>0</b>
<b>Internally Restricted Receivables</b>				
Property development	191	0	59	0
Less: provision for doubtful debts	(7)	0	(7)	0
	<b>184</b>	<b>0</b>	<b>52</b>	<b>0</b>
<b>TOTAL RESTRICTED RECEIVABLES</b>	<b>696</b>	<b>0</b>	<b>588</b>	<b>0</b>

### UNRESTRICTED RECEIVABLES

	7,059	0	5,923	0
<b>TOTAL RECEIVABLES</b>	<b>7,755</b>	<b>0</b>	<b>6,511</b>	<b>0</b>

### **Rates and annual charges**

Rates are secured by underlying properties. Interest is charged on overdue rates at 8.0% (2016 - 8.5%). Rates are due for payment on 31 August, 30 November, 28 February and 31 May.

Overdue rates are those not paid within one day of the due date. The amount of the overdue debts on which interest is charged is \$2.9m (2016 - \$2.8m). Where collection of the debt is doubtful and the assessed value of the property is less than the amount outstanding, a provision for doubtful debt is recognised for the shortfall.

### **Government grants and subsidies**

Government grants and subsidies have been guaranteed.

### **Private works**

Private works have only been undertaken where a deposit has been received and the works are secured against those deposits.

### **Land development and resale**

Debtors resulting from land development and resale expose Council to a level of risk resulting from the instability of the real estate market.

### **Bills of exchange**

Bills of exchange are generally subject to credit risk in the event of default by the acceptor. However, the risk has been mitigated by ensuring that a percentage of the bills has been accepted by the banks.

The bills including the non-current position have a face value of \$Nil (2016 - \$Nil).

### **User charges and fees, deferred debtors, other debtors and property development**

The credit risk for this class of debtor is 100% of the carrying value as these debts are unsecured. A provision for doubtful debts in respect of the class of debtor has already been provided for in the amount of \$16k (2016 - \$16k).



## note 8 - inventories and other assets

	actual 2017		actual 2016	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>(a) Inventories</b>				
At cost:				
Real estate (refer (i) below)	0	1,053	7,786	1,053
Stores and materials	342	0	327	0
<b>Total inventories</b>	<b>342</b>	<b>1,053</b>	<b>8,113</b>	<b>1,053</b>
<b>(i) Real estate development</b>				
Industrial/commercial	0	1,053	7,786	1,053
<b>Total real estate assets held for sale</b>	<b>0</b>	<b>1,053</b>	<b>7,786</b>	<b>1,053</b>
(valued at the lower of cost and net realisable value)				
<b>Represented by</b>				
Other properties - book value	0	1,053	7,786	1,053
<b>Total real estate for resale</b>	<b>0</b>	<b>1,053</b>	<b>7,786</b>	<b>1,053</b>
<b>(b) Inventories not expected to be realised in the next 12 months</b>				
	0	0	0	0
	0	0	0	0
<b>(c) Other assets</b>				
Prepayments	0	0	25	0
	0	0	25	0

As at balance date, no restriction exists against these assets.

# note 9a - infrastructure, property, plant and equipment

BY ASSET CLASS	Gross Carrying Amount \$,000	Accum Depn & Impairment \$,000	Net Carrying Amount \$,000	Renewals \$,000	New Assets <sup>2</sup> \$,000	WDV disposals \$,000	Depn and Impairment \$,000	Transfer / adjustments <sup>1</sup> \$,000	Revaluation Inc/Dec <sup>4</sup> \$,000	Gross Carrying Amount \$,000	Accum Depn & Impairment \$,000	Net Carrying Amount \$,000
	At 30/06/16			Movements During Year								
BY TYPE												
Plant and equipment	15,800	10,011	5,789	0	3,275	1,150	1,790	0	0	16,005	9,881	6,124
Office equipment	3,032	1,977	1,055	0	204	153	282	0	0	2,994	2,171	823
Furniture and fittings	2,237	1,976	261	0	17	0	57	0	0	842	621	221
Land												
- Operational land	616,805	0	616,805	0	1,017	429	0	0	167,576	784,969	0	784,969
- Community land	261,004	0	261,004	0	2,355	181	0	0	(13,259)	249,919	0	249,919
- land under roads	83,861	0	83,861	0	1,345	0	0	0	0	85,207	0	85,207
Land improvements												
- depreciable	8,182	3,370	4,812	253	32	26	477	0	0	8,405	3,811	4,594
- non depreciable	31,297	0	31,297	0	11	0	0	0	0	31,308	0	31,308
Buildings <sup>3</sup>	253,992	19,512	234,480	3,264	312	956	2,775	0	0	256,388	22,062	234,326
Other structures <sup>5</sup>	45,609	17,290	28,319	887	653	152	1,710	0	0	46,778	18,781	27,997
Infrastructure												
- roads	638,067	126,609	511,458	11,277	17,180	1,285	9,254	0	14,637	675,269	131,255	544,014
- bridges	77,417	19,312	58,105	383	0	147	917	0	2,981	79,776	19,371	60,405
- footpaths	50,587	12,175	38,412	853	927	179	762	0	11,918	70,278	19,109	51,169
- storm water drainage	345,478	55,481	289,997	320	2,889	477	2,145	0	16,171	364,692	57,937	306,755
- swimming pools	7,585	1,491	6,094	0	48	0	135	0	0	7,633	1,625	6,008
Other assets												
- library books	9,790	9,096	694	0	268	0	278	0	0	10,058	9,374	684
- other	8,336	0	8,336	0	3	0	0	0	0	8,339	0	8,339
TOTALS	2,459,079	278,300	2,180,779	17,237	30,536	5,135	20,582	0	200,024	2,698,860	295,998	2,402,862

<sup>1</sup> Refer note 20(d) for explanation of adjustments

<sup>2</sup> Additions for the year are made up of asset renewals (\$17m) and new assets (\$31m)

<sup>3</sup> Excludes investment properties and land held for resale

<sup>4</sup> Valuations are carried out by a member of the Australian Property Institute

<sup>5</sup> Other structures asset class are not classified as infrastructure assets for the purposes of Special Schedule 7

## note 9b - restricted infrastructure, property, plant and equipment

CLASS OF ASSET	at cost	fair value	a/c dep	carrying amount	at cost	fair value	a/c dep	carrying amount
	2017 \$,000				2016 \$,000			
<b>Domestic Waste Management</b>								
Plant and equipment	0	0	0	0	0	0	0	0
Land - operational land	0	48,535	0	48,535	0	35,952	0	35,952
<b>Total domestic waste management</b>	0	48,535	0	48,535	0	35,952	0	35,952
<b>Total restrictions</b>	0	48,535	0	48,535	0	35,952	0	35,952

Campbelltown Arts Centre, photovoltaic panels



Fisher's Ghost Carnival rides



# note 10a - payables, interest bearing liabilities and provisions

	actual 2017		actual 2016	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>PAYABLES</b>				
Goods and services	3,419	0	3,055	0
Accrued wages and salaries	1,198	0	1,001	0
Accrued expenses - other	95	0	108	0
Deposits and retentions	1,683	0	1,238	0
<b>Total payables</b>	<b>6,395</b>	<b>0</b>	<b>5,402</b>	<b>0</b>
<b>INCOME RECEIVED IN ADVANCE</b>				
Payments received in advance	2,195	0	1,899	0
<b>Total income received in advance</b>	<b>2,195</b>	<b>0</b>	<b>1,899</b>	<b>0</b>
<b>BORROWINGS</b>				
Loans - secured <sup>1</sup>	3,551	15,691	3,743	19,157
<b>Total borrowings</b>	<b>3,551</b>	<b>15,691</b>	<b>3,743</b>	<b>19,157</b>
<b>PROVISIONS <sup>2</sup></b>				
Annual leave	4,434	0	4,520	0
Sick leave	2,764	0	3,098	0
Long service leave	11,464	372	11,392	350
Self insurance - workers compensation <sup>3</sup>	970	2,790	680	1,890
<b>Total provisions</b>	<b>19,632</b>	<b>3,162</b>	<b>19,690</b>	<b>2,240</b>
<b>Total payables, borrowing and provisions</b>	<b>31,773</b>	<b>18,853</b>	<b>30,734</b>	<b>21,397</b>
<b>Current provisions not expected to be settled within the next 12 months</b>	<b>7,498</b>	<b>0</b>	<b>7,254</b>	<b>0</b>
<b>Liabilities relating to restricted assets</b>				
Self insurance (notes 6, 22) <sup>3</sup>	5,640	0	3,870	0
<b>Total</b>	<b>5,640</b>	<b>0</b>	<b>3,870</b>	<b>0</b>

<sup>1</sup> Loans are secured over the rating income of Council

<sup>2</sup> Vested ELE is all carried as a current provision

<sup>3</sup> Council is a licensed self insurer under the *Workers Compensation Act* in NSW

## note 10b - descriptions and movements in provisions

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

	opening balance	increases in provision	payments	re-measurement	closing balance
Class of provision	\$,000	\$,000	\$,000	\$,000	\$,000
Self insurance *	2,570	0	0	1,190	3,760
<b>Total</b>	2,570	0	0	1,190	3,760

**\* Self insurance**

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

# note 11 - reconciliation of operating result to net cash flow movements

	notes	actual 2017 \$,000	actual 2016 \$,000
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalents	6	2,710	3,123
Less bank overdraft	10a	0	0
Balances as per statement of cash flows		<u>2,710</u>	<u>3,123</u>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
Net operating result from income statement		111,607	41,389
Depreciation and impairment		20,582	21,471
Loss/(gain) on sale of assets		(56,703)	832
Amortisation of discounts and premiums recognised		85	121
Non cash contributions and dedications		(22,013)	(16,412)
Fair value (gains) / losses on investment property		(4,380)	0
Increase / (decrease) in provision for doubtful debts		121	(90)
Increase / (decrease) in provision for employee leave entitlements		(326)	(1,334)
Increase / (decrease) in other provisions		1,190	(230)
(Increase) / decrease in receivables		(1,365)	1,341
(Increase) / decrease in inventories		(15)	21
(Increase) / decrease in other current assets		25	20
Increase / (decrease) in payables		1,302	(594)
Increase / (decrease) in accrued interest payable		(13)	63
Net cash provided from (or used in) operating activities from Statement of cash flows		<u>50,097</u>	<u>46,598</u>
<b>(c) Non-cash financing and investing activities</b>			
Acquisition of plant and equipment by finance leases		0	0
Dedications and in kind contributions		22,013	16,412
		<u>22,013</u>	<u>16,412</u>
<b>(d) Financing arrangements</b>			
Unrestricted access was available at reporting date to the following lines of credit:			
Bank overdrafts facility *		500	500
Corporate credit card facility		840	840
		<u>1,340</u>	<u>1,340</u>

\* 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 the rates for loans are set for the period of the loan.



## note 12 - commitments for expenditure

	actual 2017 \$,000	actual 2016 \$,000
<b>(a) Capital commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- buildings	24,545	1,078
- land	0	0
- plant and equipment	440	0
- infrastructure: roads, bridges, footpaths	10,103	3,116
	<hr/> 35,088	<hr/> 4,194
These expenditures are payable:		
- not later than one year	25,088	4,194
- later than one year and not later than five years	10,000	0
	<hr/> 35,088	<hr/> 4,194
These capital commitments are for the upgrade and renewal of road infrastructure and for various refurbishment works at recreation facilities and reserves.		
<b>(b) Service commitments</b>		
Other non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities includes:		
- waste collection services	36,811	41,150
	<hr/> 36,811	<hr/> 41,150
These expenditures are payable:		
- not later than one year	6,107	5,757
- later than one year and not later than five years	25,672	24,200
- later than five years	5,032	11,193
	<hr/> 36,811	<hr/> 41,150
<b>(c) Finance lease commitments</b>		
There are no finance lease commitments in either the current or previous accounting period		
<b>(d) Operating lease commitments</b>		
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	218	238
- later than one year and not later than five years	58	277
- later than five years	0	0
	<hr/> 276	<hr/> 515
The operating leases in place are for computer equipment and range up to three years in length. All equipment is to be returned at the end of the lease period.		
<b>(e) Repairs and maintenance: Investment property</b>		
Contractual obligations for future repairs and maintenance	<hr/> 0	<hr/> 0

## note 13 - statement of performance measures

	2017 \$,000	2017	2016	2015	Benchmark
<b>OPERATING PERFORMANCE</b>					
Operating revenue <sup>5</sup> excl capital grants and contributions less operating expenses	16,997	10.64%	9.65%	4.86%	>0
Operating revenue <sup>5</sup> excl capital grants and contributions	159,821				
<b>OWN SOURCE OPERATING REVENUE</b>					
Total operating revenue <sup>5</sup> excl grants and contributions	123,795	64.0%	67.3%	73.8%	>60%
Total operating revenue <sup>5</sup> incl grants and contributions	193,348				
<b>UNRESTRICTED CURRENT RATIO</b>					
Current assets less all external restrictions <sup>1</sup>	112,313	4.82x	4.51x	3.55x	>1.5x
Current liabilities less specific purpose liabilities <sup>2 3</sup>	23,305				
<b>DEBT SERVICE COVER RATIO</b>					
Operating result <sup>5</sup> before capital, excl interest and depreciation	38,654	8.17x	7.29x	5.49x	>2x
Principal repayments plus borrowing interest costs	4,733				
<b>RATES AND ANNUAL CHARGES OUTSTANDING PERCENTAGE</b>					
Rates and annual charges outstanding	3,364	3.25%	3.41%	4.05%	<5%
Rates and annual charges collectible	103,481				
<b>CASH EXPENSE COVER RATIO</b>					
Current years cash and cash equivalents	186,666	17.99	10.71	10.39	>3
Payments from cash flows from operating and financing activities	124,516	months	months	months	months

<sup>1</sup> Refer to Notes 6-8 inclusive

<sup>2</sup> Refer to Note 10a

<sup>3</sup> \$7.5m ELE transferred out - AASB 119 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

<sup>4</sup> Depreciable land improvements, other structures, buildings and infrastructure. Refer to Note 9a and Note 4d

<sup>5</sup> Excludes fair value adjustments, reversal of revaluation decrements and net gains/(losses) on disposal of assets

## note 13 - statement of performance measures cont.

### **OPERATING PERFORMANCE**

Measures Council's achievement in containing operating expenditure within operating revenue.

### **OWN SOURCE OPERATING REVENUE**

Measures fiscal flexibility and the degree of reliance on external funding sources such as grants and contributions.

### **UNRESTRICTED CURRENT RATIO**

To assess Council's ability to meet short term obligations as they fall due.

### **DEBT SERVICE COVER RATIO**

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

### **RATES AND ANNUAL CHARGES OUTSTANDING PERCENTAGE**

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

### **CASH EXPENSE COVER RATIO**

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

## note 14 - investment properties

	actual 2017 \$,000	actual 2016 \$,000
<b>At fair value</b>		
Opening balance at 1 July	15,309	15,276
Capitalised subsequent expenditure:		
- buildings	0	33
Net gain (loss) from fair value adjustment	4,380	0
<b>Closing balance at 30 June</b>	<b>19,689</b>	<b>15,309</b>

### (a) Amounts recognised in profit and loss for investment property

Rental income	1,726	1,636
Direct operating expenses from property that generated rental income	175	168

### (b) Contractual obligations

Refer to Note 12 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	1,417	1,463
later than one year but not later than five years	3,471	3,443
later than five years	3,377	3,736
	<b>8,265</b>	<b>8,642</b>

# note 15 - financial instruments

## Risk management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of 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.

Council held the following financial instruments at reporting date:

	Carrying Value		Fair Value	
	2017 \$,000	2016 \$,000	2017 \$,000	2016 \$,000
<b>Financial assets</b>				
Cash and cash equivalents	2,710	3,123	2,710	3,123
Receivables	7,755	6,511	7,755	6,511
Financial assets at fair value through profit or loss - held for trading	55,537	10,000	55,537	10,000
Available-for-sale financial assets	0	0	0	0
Held-to-maturity investments	148,419	105,594	148,419	105,594
<b>Total</b>	<b>214,421</b>	<b>125,228</b>	<b>214,421</b>	<b>125,228</b>
<b>Financial liabilities</b>				
Payables	8,590	7,301	8,590	7,301
Borrowings	19,242	22,900	17,717	20,867
<b>Total</b>	<b>27,832</b>	<b>30,201</b>	<b>26,307</b>	<b>28,168</b>

Refer to Note 27 for fair value information

Council's objective is to maximise its return on cash and investments while 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 1993* and the Minister's Order. 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.

The risks associated with investments 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. 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 on 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.

	30/06/17 \$,000	30/06/16 \$,000
Impact of a 10% movement in price of investments		
- equity	555	1,000
- income statement	555	1,000
Impact of a 1% movement in interest rates on cash and investments		
- equity	1,511	1,087
- income statement	1,511	1,087

**(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.

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 by the due date.

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.

Council also makes suitable provision for doubtful receivables as required.

The profile of the Council's credit risk at balance date was:

	30/06/17	30/06/16
Percentage of rates and annual charges:		
- current	0%	0%
- overdue	100%	100%
Analysis of overdue debts	\$,000	\$,000
less than 1 year	2,576	2,535
1 to 2 years	274	262
2 to 5 years	200	217
Greater than 5 years	81	85
	3,131	3,099
Percentage of other receivables:		
- current	82%	94%
- overdue	18%	6%
Analysis of overdue debts	\$,000	\$,000
0-30 days overdue	4,250	3,594
31-60 days overdue	158	67
61-90 days overdue	478	24
91 days + overdue	267	135
	5,153	3,820



## note 15 - financial instruments cont.

### (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 on in extenuating circumstances.

The contractual undiscounted cash flows of Council's payables and borrowings are set out in the maturity table below:

#### 2017 \$,000

	≤ 1 year \$,000	> 1 year ≤ 5 years \$,000	> 5 years \$,000	Total contractual cash flows \$,000	Carrying Values \$,000
Payables	8,590	0	0	8,590	8,590
Borrowings	4,390	13,214	4,825	22,429	19,242
	12,980	13,214	4,825	31,019	27,832

#### 2016 \$,000

	≤ 1 year \$,000	> 1 year ≤ 5 years \$,000	> 5 years \$,000	Total contractual cash flows \$,000	Carrying Values \$,000
Payables	7,301	0	0	7,301	7,301
Borrowings	4,745	14,935	7,495	27,175	22,900
	12,046	14,935	7,495	34,476	30,201

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate.

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

30/06/17			30/06/16		
	weighted average interest rate %	balance \$,000		weighted average interest rate %	balance \$,000
Overdraft Bank loans					
- fixed	5.49	19,242		5.78	22,900
- variable <sup>1</sup>	0	0		0	0
		19,242			22,900

<sup>1</sup> The interest rate risk applicable to variable rate bank loans is not considered significant

## note 16 - material budget variations

Council's original budget is incorporated as part of the Operational Plan, which was adopted by on 28 June 2016. 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

#### Interest

Actual interest on investments received was greater than budgeted by some \$1.9m (F) (60%).

During the financial year interest rates remained low, as per budget projections; however a larger value of funds were held on investment than was originally anticipated, mainly due to the sale of a large parcel of land at Menangle.

#### Grants and contributions received (operating and capital)

Actual amounts of grants and contributions received were over budget by some \$40m (F) (137%).

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.

- Additional income from development application fees and certificates as a result of increased activity \$249k (F).
- Capital contributions \$28.5m (F), unbudgeted contributions and dedications from developers towards land, road and drainage construction at various development sites including Minto, Glenfield, Airs, Claymore and Bardia, as well as S94 Plan contributions.
- The receipt of various Environmental Protection and Planning grants which were not advised when the original budget was developed \$192k (F).
- Childcare operational grants of \$802k (F), income from child care subsidy increased due to higher utilisation of centres.
- Community Policy and Planning grants of \$142k (F), new grant funds received for Aboriginal Co-design and National Reconciliation Week and Place Management grants.
- Community Options operational grants \$261k (U), this program was winding down and was closed as at 30/06/17, resulting in fewer grant funded placements over the latter half of the year.
- Cultural Services grants \$319k (F), additional grant funds received for new programs that were not included in the original budget.
- Bushfire mitigation grants \$236k (F), additional funding was received during the year.
- The Federal Government has reintroduced its policy of paying the Financial Assistance Grant in advance resulting in this budget variation, \$4.5m (F).
- Additional funding under the RMS grants program was received for the bus route cycleway, Eagle Vale Drive works and street lighting programs \$4.3m (F).
- Grant funds received that were not budgeted \$470k (F); Waste Performance Improvement program and various MACROC programs.
- 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.

#### Gain on disposal of assets

Council disposed of several 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 \$56.7m (F) is mainly due to the sale of a parcel of land at Menangle and plant and equipment sales.

### Expenses

There were minor favourable and unfavourable variations that occurred throughout the year in the 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 94% (F) is mainly attributable to an additional \$1.5m in interest income as a result of the sale of a large parcel of land at Menangle; increases in grants and contributions of \$18m largely due to the advance of Financial Assistance Grant funding; offset by a decrease in other income of \$1.6m due to budgeted land sales not being realised this financial year.

### Cash Flows from Investing Activities

Variance of 100% (F) is attributable to the sale of infrastructure, property, plant and equipment being over budget by some \$66m which is attributable to the sale of land in Menangle not originally budgeted for this financial year.

### Cash Flows from Financing Activities

Cash flows from financing activities were within budget.

Beverley and Campbelltown Roads, Campbelltown



# note 17 - statement of contribution plans

## SUMMARY OF CONTRIBUTIONS

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest and investment income earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>2</sup> \$,000	Held as restricted asset <sup>3</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
Community facilities	5,047	Cash \$,000	Non-cash \$,000					
Total S94 under plans	5,047	3,535	2,320	50	2,483	0	8,469	0
S94 not under plans		3,535	2,320	50	2,483	0	8,469	0
Parking	210	0	0	2	0	0	212	0
S94A	877	0	0	7	0	0	884	0
	6,315	1,383	0	50	589	0	7,159	0
TOTAL CONTRIBUTIONS	12,449	4,918	2,320	109	3,072	0	16,724	0

## CONTRIBUTION PLAN NO. 1

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
Community facilities	0	Cash \$,000	Non-cash \$,000					
	0	0	0	0	0	0	0	0
TOTAL CONTRIBUTIONS	0	0	0	0	0	0	0	0

## CONTRIBUTION PLAN NO. 2

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
Community facilities	234	Cash \$,000	Non-cash \$,000					
	234	0	0	2	0	0	236	0
TOTAL CONTRIBUTIONS	234	0	0	2	0	0	236	0

## CONTRIBUTION PLAN NO. 3

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
Community facilities	130	Cash \$,000	Non-cash \$,000					
	130	0	0	0	101	0	29	0
TOTAL CONTRIBUTIONS	130	0	0	0	101	0	29	0

# note 17 - statement of contribution plans cont.

## CONTRIBUTION PLAN NO. 5

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
		Cash \$,000	Non-cash \$,000					
Community facilities	45	0	0	0	22	0	23	0
TOTAL CONTRIBUTIONS	45	0	0	0	22	0	23	0

## CONTRIBUTION PLAN NO. 7

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
		Cash \$,000	Non-cash \$,000					
Community facilities	6	0	0	0	6	0	0	0
TOTAL CONTRIBUTIONS	6	0	0	0	6	0	0	0

## CONTRIBUTION PLAN NO. 8

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
		Cash \$,000	Non-cash \$,000					
Community facilities	1,316	71	0	10	0	0	1,397	0
TOTAL CONTRIBUTIONS	1,316	71	0	10	0	0	1,397	0

## CONTRIBUTION PLAN NO. 9

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
		Cash \$,000	Non-cash \$,000					
Community facilities	3,316	3,464	2,320	38	2,354	0	6,784	0
TOTAL CONTRIBUTIONS	3,316	3,464	2,320	38	2,354	0	6,784	0

## CONTRIBUTIONS NOT UNDER PLANS - PARKS, GARDENS AND RESERVES

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
		Cash \$,000	Non-cash \$,000					
Residual Community Fac	0	0	0	0	0	0	0	0
Parking	877	0	0	7	0	0	884	0
Open space	210	0	0	2	0	0	212	0
TOTAL CONTRIBUTIONS	1,087	0	0	9	0	0	1,096	0



# **CONTRIBUTION PLAN S94A**

PURPOSE	Opening balance \$,000	Contributions received during year <sup>1</sup>		Interest earned during year \$,000	Expended during year \$,000	Internal borrowings (to)/From <sup>4</sup> \$,000	Held as restricted asset <sup>2</sup> \$,000	Cumulative balance of internal borrowings (to)/from <sup>4</sup> \$,000
		Cash \$,000	Non-cash \$,000					
Infrastructure	6,315	1,383	0	50	589	0	7,159	0
TOTAL CONTRIBUTIONS	6,315	1,383	0	50	589	0	7,159	0
Councils must also provide details of each contribution plan under their control in a form provided below:								
<sup>1</sup> Reconcilable with Note 3								
<sup>2</sup> Borrowings within and between plans during current period only. General fund expenditure in advance of contributions is not to be shown here.								
<sup>3</sup> Reconcilable with Note 6 (restricted assets excludes 'amounts expended in advance').								
<sup>4</sup> Cumulative balance of borrowing within and between plans.								



Campbelltown Arts Centre





## note 18 - contingencies

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.

### Contingent assets

#### Receivable

In years 2012-2013, 2013-2014 and 2014-2015, Council entered into loan agreements whereby the interest rate is subsidised under the Local Infrastructure Renewal Scheme (LIRS). This subsidy applies to the 10 year life of the loans and is recognised when claimed in accordance with the LIRS funding agreement.

### Contingent liabilities

#### Employee benefits

Council is party to an industry defined benefit plan under the Local Government Superannuation Scheme, named the Local Government Superannuation Scheme - Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for the purposes of AASB 119, Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB 119 because the assets to the Scheme are pooled together for all Councils.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2017 was \$1.1m. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 2 December 2016.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2017, a deficit still exists. It is estimated that employers will be required to contribute additional contributions until 2020 to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$1.4m.

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

#### Developer contributions

Council has significant obligations to provide Section 94 infrastructure in new release areas in accordance with current Section 94 plans. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference (refer note 17).

# note 19 - interests in other entities

## Interests in subsidiaries

### a) Composition of the group

Subsidiaries	Principal place of business	% owned 2017	% owned 2016
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
- 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.

MACROC works collaboratively with other organisations to achieve positive outcomes for the region.

### b) Consolidated structured entities

MACROC is established under Section 355 of the *Local Government Act 1993*. Decisions of MACROC will not limit the individual integrity of the operation of each member Council, or affect the right of an individual Council acting in its own right on matters.

Member Councils are committed to MACROC being self funding. Member Councils shall contribute to an equal agreed sum as its financial contribution towards the operating costs of MACROC. Such funds are held and managed by Campbelltown City Council as are financial reporting obligations. Each member Council will contribute equally to the cost of managing the financial affairs of MACROC.

Campbelltown City Council consolidates all financial transactions of MACROC and discloses them as part of its annual financial statements.

The General Manager of Campbelltown City Council is the employer of all MACROC staff including the Executive Officer who reports to the Board via the General Manager.

Campbelltown City Council as a member of MACROC with 33% voting rights, has determined that it has control of the organisation due to the responsibilities of financial reporting and staff recruitment.

## note 20 - retained earnings, revaluation reserves and changes in accounting policy

	notes	2017 \$,000	2016 \$,000
<b>(a) Retained earnings</b>			
Movements in retained earnings were as follows:			
At beginning of year		892,733	845,389
Adjustment to correct prior period errors	20(d)	0	5,955
Net operating result for the year		111,607	41,389
At end of year		<u>1,004,340</u>	<u>892,733</u>

### (b) Reserves

Infrastructure, property, plant and equipment revaluation reserve		1,583,623	1,385,865
		<u>1,583,623</u>	<u>1,385,865</u>

### Movements:

Property, plant and equipment revaluation reserve			
At beginning of year		1,385,865	1,280,035
Revaluations	9	200,024	11,577
Reclassifications		0	0
Adjustment to correct prior period errors		0	96,166
Disposal of previously revalued assets		(2,266)	(1,913)
At end of year		<u>1,583,623</u>	<u>1,385,865</u>

### (c) Nature and purpose of reserves

#### (i) Infrastructure, property, plant and equipment revaluation reserve

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

#### (ii) Available-for-sale investments revaluation reserve

Changes in fair value are taken to the available-for-sale investments revaluation reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

### (d) Correction of errors in previous years

Adjustment to correct prior period errors	0 <sup>1</sup>	(5,955) <sup>1</sup>
Adjustment to retained earnings	0	(5,955)

### Notes

<sup>1</sup> Adjusted to retained earnings

## note 21 - results by fund

Campbelltown City Council does not hold water and sewer funds.

## note 22 - non current assets classified as held for resale

	<b>Actual 2017 \$,000</b>	<b>Actual 2016 \$,000</b>
Land	222	0
	<hr/>	<hr/>
	222	0

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

## note 23 - workers compensation

Campbelltown City Council is a licensed self-insurer under the *Workers Compensation Act* in NSW. The licence commenced with effect from 1 July 2000.

Council requested an actuarial assessment of the claims experience and outstanding liability as at 30 June 2017. David G Hart Consulting Pty Ltd conducted the assessment and the findings are as follows:

Summary of Claims					
Accounting year ending 30/06	Number of claims		Claim payments to date	Estimated outstanding	Estimated incurred
	Reported to date	Outstanding			
2017	53	18	190	260	450

Using 'discounted' values, the recommended minimum amount that Council should have as a provision in its accounts is \$3.76m as at the balance sheet date of 30 June 2017 (2016 - \$2.57m). This amount has been recognised in Note 10a.

A security deposit is held with NSW Treasury Corporation representing the amount required by icare NSW to be held as a bond. This amount is \$3.76m plus a 50% contingency margin totalling \$5.64m (2016 - \$3.87m).

The total of the discounted minimum amount is allocated as follows:

Current	\$970,000
Non-current	\$2,790,000
Total	<u>\$3,760,000</u>

An insurance reserve has been created by Council to ensure a restriction of cash relating to Council's liability in respect of workers compensation and other unforeseen exposure in respect to Council's broader based insurance portfolio. The level of the insurance reserve as at balance date was \$5.64m.

## note 27 - fair value measurement

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 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.

2017	Note	Valuation technique	Level 2 (\$,000) significant observable inputs	Level 3 (\$,000) Significant unobservable inputs	Total (\$,000)
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
- at fair value through profit and loss	6	Market	35,537		35,537
<b>Financial liabilities</b>					
Borrowings	15	Market	17,717		17,717
<b>Investment Properties</b>	14				
Land		Market	15,226		15,226
Buildings		Market		4,462	4,462
<b>Infrastructure, Property, Plant and Equipment</b>					
Plant and equipment	9	Cost	6,124		6,124
Office equipment	9	Cost		823	823
Furniture and fittings	9	Cost		221	221
Land	9				
- Operational		Cost	784,969		784,969
- Community		Market		249,919	249,919
- Land under roads		Cost	85,207		85,207
- Improvements		Cost		35,904	35,904
Buildings	9				
- Specialised		Cost		232,782	232,782
- New/Refurbishments		Cost	1,544		1,544
Buildings: Other structures	9	Cost		27,998	27,998
Infrastructure	9				
- Roads		Cost		544,014	544,014
- Footpaths		Cost		60,405	60,405
- Bridges		Cost		51,169	51,169
Infrastructure: Stormwater	9	Cost		306,755	306,755
Swimming pools	9	Cost		6,008	6,008
Library books	9	Cost		684	684
Other assets	9	Cost		8,339	8,339
<b>Total</b>			<b>946,324</b>	<b>1,529,483</b>	<b>2,475,807</b>



## Valuation techniques used to derive fair values

### (i) Recurring fair value measurements

The following methods are used to determine the fair value measurements. There were no changes to the valuation methods during the reporting period.

#### Investments

Financial assets are exposed to financial risks such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictable nature 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.

#### Borrowings

Financial liabilities are exposed to liquidity risk and interest rate risk. The valuation technique for these liabilities is based on an income approach using the contractual undiscounted cash flow methodology.

#### Land

##### Operational and investment

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.

##### Community

Valuations of Campbelltown City Council's community land were based on the Unimproved Capital Value (UCV) provided by the Valuer General. As these rates were not considered to be observable market evidence, they have been classified as Level 3 inputs.

##### Land under roads

Land under roads was valued by William C McManus (valuations) in May 2014 using the cost approach. The 'Englobo' 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 experienced Council asset management staff.

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 (IIMM). While the unit rates are based on linear metres of fencing, price for certain type of BBQ etc. could be supported from market evidence (Level 2), 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 3 valuation inputs.

#### Buildings and investments properties

The level of evidence used to support the critical assumptions for investment buildings in the Campbelltown City Council area was considered to be highly variable due to high levels of variability in the market for rental yields and future demand. As such, the level of valuation input for these properties was considered Level 3.

Specialised buildings were valued using the cost approach using professionally qualified registered valuers. 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 2), 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 3 valuation inputs.

#### Buildings: other structures

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

Playground assets were valued separately by an external valuer using the cost approach and classified as using Level 3 valuation inputs.

The remaining other structure assets were valued in house using the 'cost approach' by estimating the replacement cost for each asset and 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 (IIMM). While the unit rates based on linear metres of fencing, price for certain type of BBQ etc. could be supported from market evidence (Level 2), 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 3 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 3 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.

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 2), other inputs (such as estimated 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 3 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 2), 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 3 valuation inputs.

### **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 3 valuation inputs.

### **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 2), 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 3 valuation inputs.

### **Swimming Pools**

Assets within this class were valued utilising the 'cost approach' by professionally qualified Registered Valuers. The approach estimated the replacement cost of each structure. Where the unit rates could be supported by market evidence the valuer utilised Level 2 inputs. Other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

### **Other Assets**

Valuation of Council's other assets was undertaken by an external valuer 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 3 valuation inputs.

## Reconciliation of movements

	Level 3	
	2017 \$,000	2016 \$,000
Balance at 1 July	1,470,596	1,459,996
Correction of errors	0	(20,831)
Restated opening balance	1,470,596	1,439,165
<b>Total gains or losses for the period</b>		
Recognised in profit or loss - Realised (Note 5)	0	0
Recognised in profit or loss - Unrealised (Notes 3 and 4)	866	0
Recognised in other comprehensive income - revaluation surplus	32,448	11,577
<b>Other movements</b>		
Acquisitions	40,585	41,046
Sales	(3,556)	(2,963)
Depreciation	(18,783)	(19,585)
Transfers into level 3	7,326	5,394
Transfer out of level 3	0	(4,038)
Balance as at 30 June	1,529,483	1,470,596

## note 28 - related party disclosures

### 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*.

The aggregate amount of key management personnel compensation included in the income statement is:

Compensation	2017 \$
Short term benefits (salaries, councillors fees)	2,052,731
Post employment benefits	0
Other long term benefits	296,978
Termination benefits	0
Total	2,349,709

### 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 Council delivering a public service objective such as access to library or Council swimming centres will not be disclosed.

Nature of Transaction	Amount of the transaction during the year	Outstanding Balances or Commitments at Year End	Terms and Conditions	Provisions for Doubtful Debts related to the amount of outstanding balances	Expense recognised during the period relating to bad or doubtful debts due from related parties
Employee expenses relating to close family members of KMP (1)	\$78,326	\$0	Local Government State Award	NA	NA

#### Notes:

(1) Close family members of Councils key management personnel are employed by Council under the relevant pay award on an arms length basis. There is one close family member of key management personnel currently employed by Council.

### 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 the period relating to bad or doubtful debts due from related parties
Interest in other entities	Subsidiary interest as a member Council with 33% voting rights	\$250,000 total contribution from member Councils - Campbelltown, Camden and Wollondilly \$83,333 represents Councils 1/3 share	30 days terms on invoice	\$0	\$0

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## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Campbelltown City Council

To the Councillors of the Campbelltown City Council

### Opinion

I have audited the accompanying financial statements of Campbelltown City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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



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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 23 September 2016.

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

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Nathan Carter  
Director, Financial Audit Services

15 September 2017  
SYDNEY

Cr George Bricevic  
Mayor  
Campbelltown City Council  
PO Box 57  
CAMPBELLTOWN NSW 2560

Contact: Nathan Carter  
Phone no: 9275 7349  
Our ref: D1719527/1706

15 September 2017

Dear Mayor

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

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

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

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

## **INCOME STATEMENT**

### **Operating result**

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	<b>99.9</b>	<b>95.4</b>	<b>4.7 ↑</b>
<b>Grants and contributions revenue</b>	<b>69.5</b>	<b>58.9</b>	<b>18.0 ↑</b>
<b>Operating result for the year</b>	<b>111.6</b>	<b>41.4</b>	<b>170 ↑</b>
<b>Net operating result before capital amounts</b>	<b>78.1</b>	<b>13.9</b>	<b>462 ↑</b>

Rates and annual charges revenue remained steady with a 4.7 per cent increase from the previous year. The increase is attributable to an increase in rateable properties and the approved rate pegging increase of 1.8 per cent.

Grant and contributions revenue increased by 18.0 per cent or \$10.6 million from the previous year. This was mainly attributed to an increase in dedicated assets and works in kind of \$9.4 million from increased development activity.

The operating result for the year was \$111.6 million, a significant increase of \$70.2 million or 170 per cent from the previous year. This increase was predominately due to:

- the sale of property at Menangle Park in September 2016, which resulted in a \$57 million gain from sale
- an increase in rates and charges and grants and contributions revenue, as noted above.

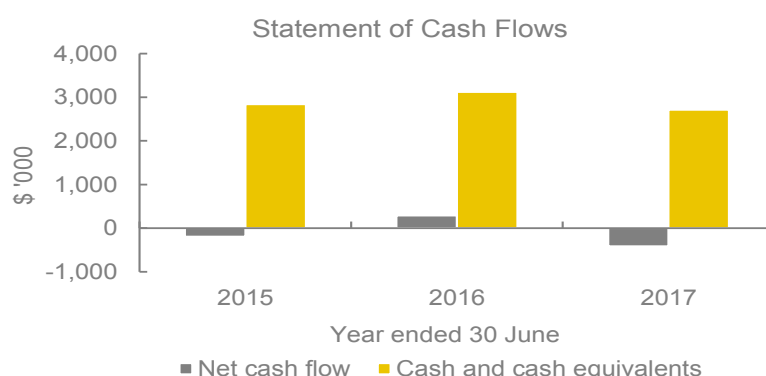
This is offset by an increase of \$4.7 million or 3.4% in total expenses between 2015-16 and 2016-17.

The Net operating result before capital amounts increased by \$64.2 million or 462 per cent from the previous year. This is predominately due to the sale of property at Menangle Park noted above and an increase in Financial assistance grants of \$4.5 million. Financial assistance grant funding of \$4.9 million was received in 2016-17, but will not be expended until 2017-18.

## STATEMENT OF CASH FLOWS

The Cash and cash equivalents balance and Net cashflows has remained steady over the three years with the cash balance at \$2.7 million at 30 June 2017. This reflects the Council's policy to invest excess cash from operating and investing activities into approved investments, such as term deposits, managed funds and floating rate notes.

The Council also repaid \$3.7 million in borrowings during the year and did not draw down on any of its borrowing facilities.



## FINANCIAL POSITION

### Cash and Investments

The Council reported \$206.7 million in restricted cash and investments as at 30 June 2017 which is an increase of \$88.0 million or 74.1 per cent on the prior years' balance of \$118.7 million.

Twenty per cent or \$42.1 million of the current year restricted cash and investments have external restrictions and 72.3 per cent or \$149.6 million has internal restrictions set by Council. The table below explains reasons for movements between current year and prior year in the external restrictions, internal restrictions or unrestricted categories.

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	42.1	30.1	Cash with external restrictions increased mainly due to an increase in: <ul style="list-style-type: none"> <li>unexpended specific purpose grants of \$5.6 million</li> <li>unexpended s.94 developer contributions of \$4.3 million.</li> </ul>
Internal restrictions	149.6	75.0	
Unrestricted	15.0	13.6	
<b>Total Cash and investments</b>	<b>206.7</b>	<b>118.7</b>	Cash with internal restrictions increased by \$74.6 million mainly due to a \$65.5 million increase in the property development fund. The proceeds of \$65 million from the sale of property at Menangle Park were transferred to this fund.

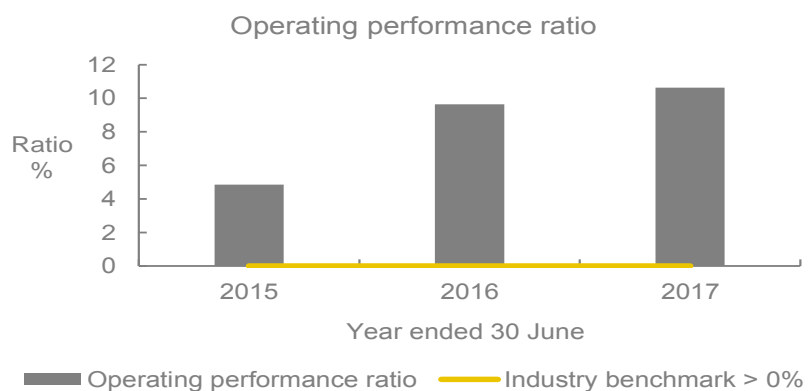
## PERFORMANCE RATIOS

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

### Operating performance ratio

The Council's operating performance ratio has increased over the last three years remaining above the benchmark set by the Office of Local Government (OLG).

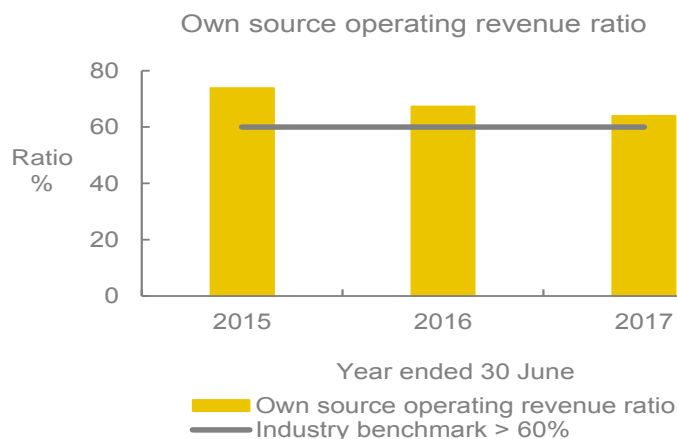
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, net gain/loss on disposal of assets and reversal of revaluation decrements). The benchmark set by the OLG is greater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



### Own source operating revenue ratio

The Council's own source operating revenue has decreased over the last three years, but remains above the OLG benchmark.

The decrease from 73.8 per cent in 2014–15 to 64 per cent in 2016–17 is mainly due to an increase in grant and contributions funding of \$40.7 million in 2014–15 to \$69.6 million in 2016–17.



Key reasons for the increase include:

- an increase of \$21.1 million in capital contributions over this time due to increased s.94 developer contributions and dedicated assets from development activity
- an increase of \$5.6 million in operating grants over this time.

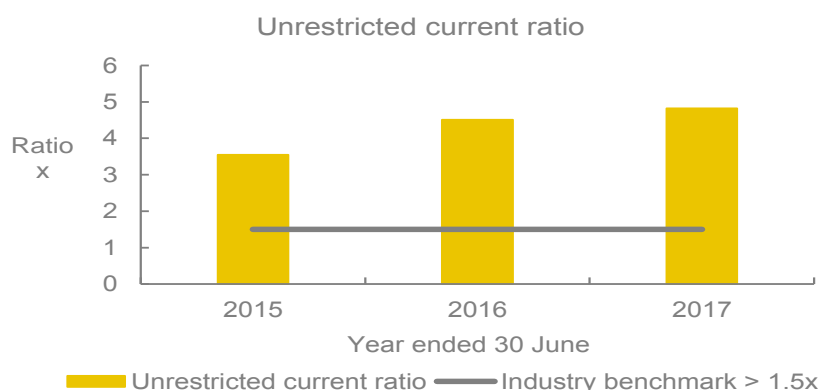
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

## Unrestricted current ratio

The Council's unrestricted current ratio has risen steadily over the last 3 years and sits at 4.82 at 30 June 2017, indicating the Council can comfortably satisfy its debts as and when they fall due.

The ratio excludes current assets subject to external restrictions and internal restrictions imposed by the Council. As noted earlier the Council is holding internally restricted cash of \$149.6 million to meet longer term plans and objectives.

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

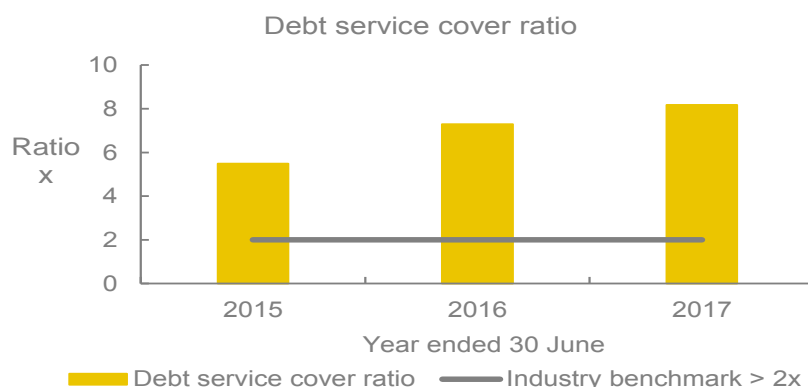


## Debt service cover ratio

The debt service cover ratio has increased over the last three years and remains above the OLG benchmark. This indicates the Council can comfortably meet its debt principal and interest obligations as they arise.

The Council's debt was \$19.2 million at 30 June 2017 and the Council expects to repay \$3.6 million in principal in 2017-18.

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

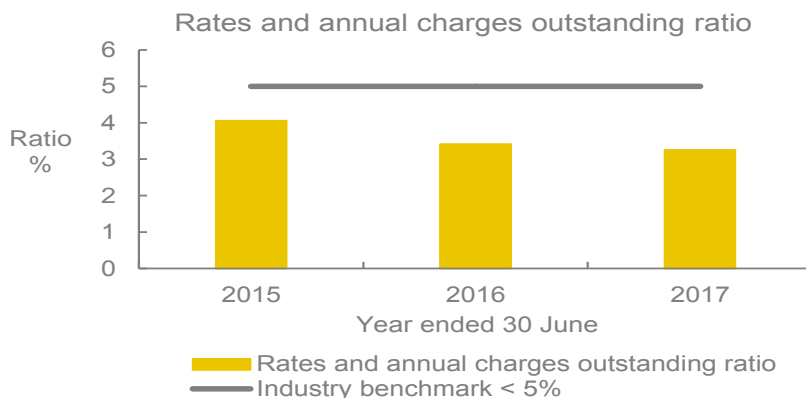


## Rates and annual charges outstanding ratio

The rates and annual charges outstanding ratio has declined steadily over the last three years, remaining within the OLG benchmark. This is an indicator that rates recovery measures are being successful in collecting and reducing outstanding debts.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts.

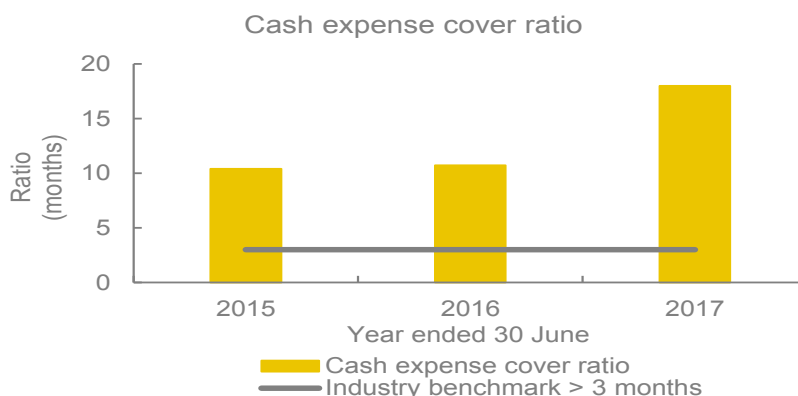
The benchmark set by OLG is less than 5 per cent for metro councils.



## Cash expense cover ratio

The Councils cash expense cover ratio was 18 months at 30 June 2017, which exceeds the OLG benchmark by 15 months. The large increase in this ratio from the previous year mainly relates to the receipt and investment of \$65 million from the sale of property at Menangle Park.

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

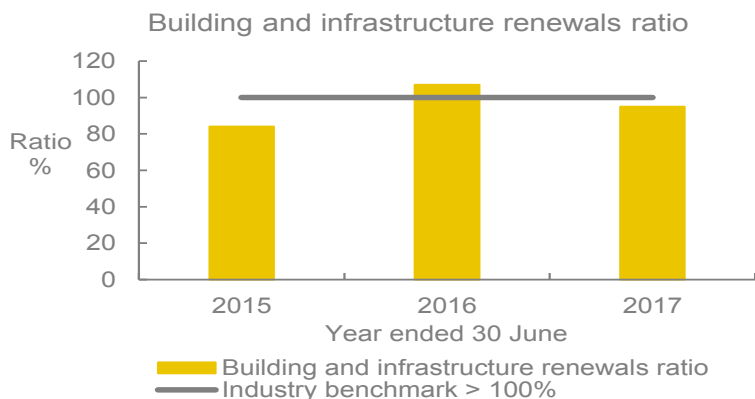


## Building and infrastructure renewals ratio

The Councils Building and infrastructure renewals ratio was 95 per cent for the year ended 30 June 2017. This is five percentage points below the OLG benchmark, however spending on asset renewals was consistent with the Councils capital budget for renewals of \$17.3 million.

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

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





## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

### Legislative compliance

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

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

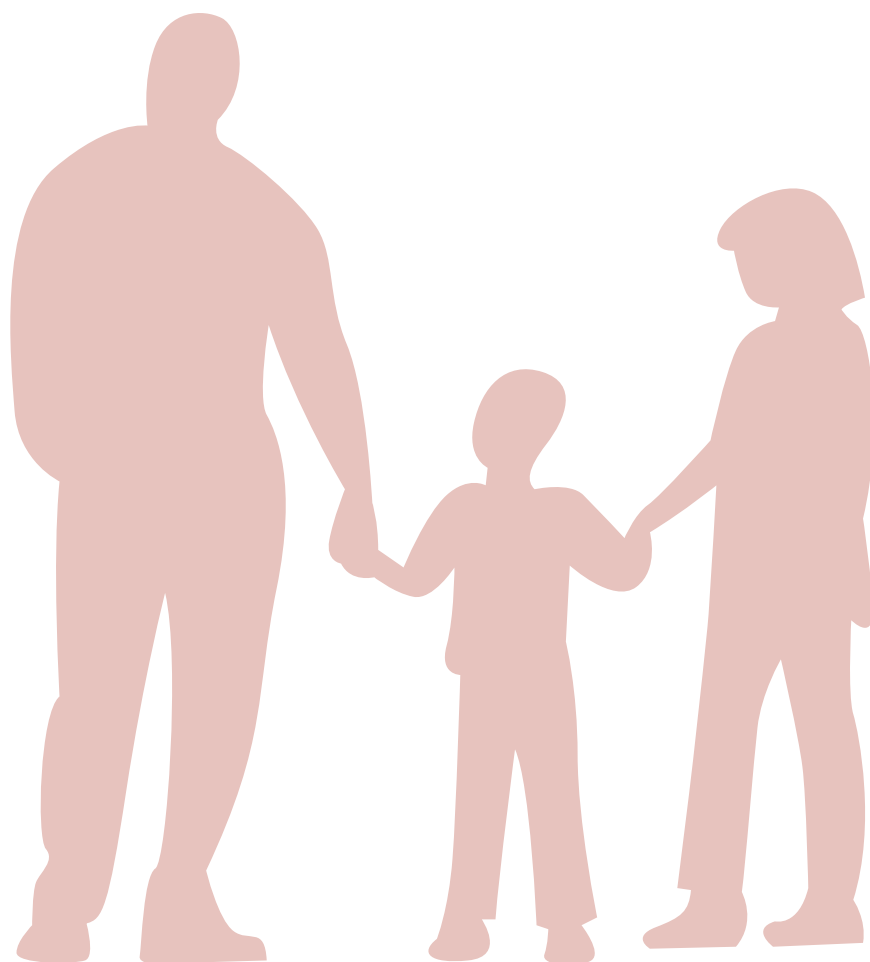


Nathan Carter  
Director Financial Audit Services

15 September 2017  
SYDNEY

cc: Lindy Deitz, General Manager  
Bruce Hanrahan, Chair of Audit and Risk Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government







## special purpose financial reports for the year ended 30 june 2017



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## Special purpose financial reports for the year ended 30 June 2017

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

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

- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*".
- Division of Local Government Guidelines "*Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 8 August 2017

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Cr G Brticevic  
MAYOR

---

Cr M Oates  
COUNCILLOR

---

Mrs L Deitz  
GENERAL MANAGER

---

Mrs C Mears  
RESPONSIBLE ACCOUNTING OFFICER

# income statement of business activities for the year ended 30 june 2017

## Business activity and category

	Business activities					
	Actual 2017 Child care centres (Cat 1) \$,000	Actual 2016 Child care centres (Cat 1) \$,000	Actual 2017 Indoor rec centres (Cat 1) \$,000	Actual 2016 Indoor rec centres (Cat 1) \$,000	Actual 2017 Commercial centres (Cat 2) \$,000	Actual 2016 Commercial centres (Cat 2) \$,000
<b>Revenue from continuing operations</b>						
User charges and fees	1,948	1,741	3,648	3,425	1,612	1,533
Interest	0	0	0	0	35	23
Grants & Contributions provided for non capital purposes	2,729	2,603	9	3	0	0
Other operating revenues	6	1	307	305	46	0
<b>Total revenue from continuing operations</b>	<b>4,683</b>	<b>4,345</b>	<b>3,964</b>	<b>3,733</b>	<b>1,693</b>	<b>1,556</b>
<b>Expenses from continuing operations</b>						
Employee benefits and on-costs	4,408	4,555	3,256	3,113	338	274
Materials and contracts	255	261	975	909	52	57
Interest charges	78	109	107	109	7	5
Depreciation, amortisation and impairment	93	96	724	830	0	0
Calculated tax equivalents	375	365	431	349	207	158
Debt guarantee fees	0	0	0	0	0	0
Other operating expenses	1,580	1,720	1,950	1,939	214	148
<b>Total expenses from continuing operations</b>	<b>6,789</b>	<b>7,106</b>	<b>7,443</b>	<b>7,249</b>	<b>818</b>	<b>642</b>
<b>Surplus/(deficit) from continuing operations before capital amounts</b>	<b>(2,106)</b>	<b>(2,761)</b>	<b>(3,479)</b>	<b>(3,516)</b>	<b>876</b>	<b>914</b>
Grants and contributions provided for capital purposes	0	0	0	0	0	0
Net gain/(loss) on disposal of assets	0	0	0	0	0	0
<b>Surplus/(deficit) from continuing operations after capital amounts</b>	<b>(2,106)</b>	<b>(2,761)</b>	<b>(3,479)</b>	<b>(3,516)</b>	<b>876</b>	<b>914</b>
<b>SURPLUS/(DEFICIT) FROM ALL OPERATIONS BEFORE TAX</b>	<b>(2,106)</b>	<b>(2,761)</b>	<b>(3,479)</b>	<b>(3,516)</b>	<b>876</b>	<b>914</b>
Corporate taxation equivalent	0	0	0	0	314	307
<b>SURPLUS/(DEFICIT) AFTER TAX</b>	<b>(2,106)</b>	<b>(2,761)</b>	<b>(3,479)</b>	<b>(3,516)</b>	<b>561</b>	<b>607</b>
Dividend payment after tax	0	0	0	0	19	14
<b>CHANGE IN NET ASSETS after Dividend</b>	<b>(2,106)</b>	<b>(2,761)</b>	<b>(3,479)</b>	<b>(3,516)</b>	<b>543</b>	<b>593</b>
<b>Opening retained profits</b>	<b>(11,594)</b>	<b>(10,083)</b>	<b>(30,204)</b>	<b>(27,819)</b>	<b>20,475</b>	<b>19,308</b>
Discontinued service	1,724					
Adjustments for amounts unpaid						
* Taxation equivalent payments	375	365	431	349	207	158
* Corporate taxation equivalents	0	0	0	0	314	307
* Dividend payments	0	0	0	0	19	14
* Corporate overheads	760	885	736	782	99	95
<b>Closing retained profits</b>	<b>(10,841)</b>	<b>(11,594)</b>	<b>(32,516)</b>	<b>(30,204)</b>	<b>21,657</b>	<b>20,475</b>
<b>Return on capital (%)</b>	<b>-11.69%</b>	<b>-15.55%</b>	<b>-6.24%</b>	<b>-6.89%</b>	<b>4.93%</b>	<b>6.62%</b>
<b>SUBSIDY FROM COUNCIL</b>	<b>2,106</b>	<b>2,761</b>	<b>3,479</b>	<b>3,516</b>	<b>Nil</b>	<b>Nil</b>

To be read in conjunction with the Notes to the Financial Statements.

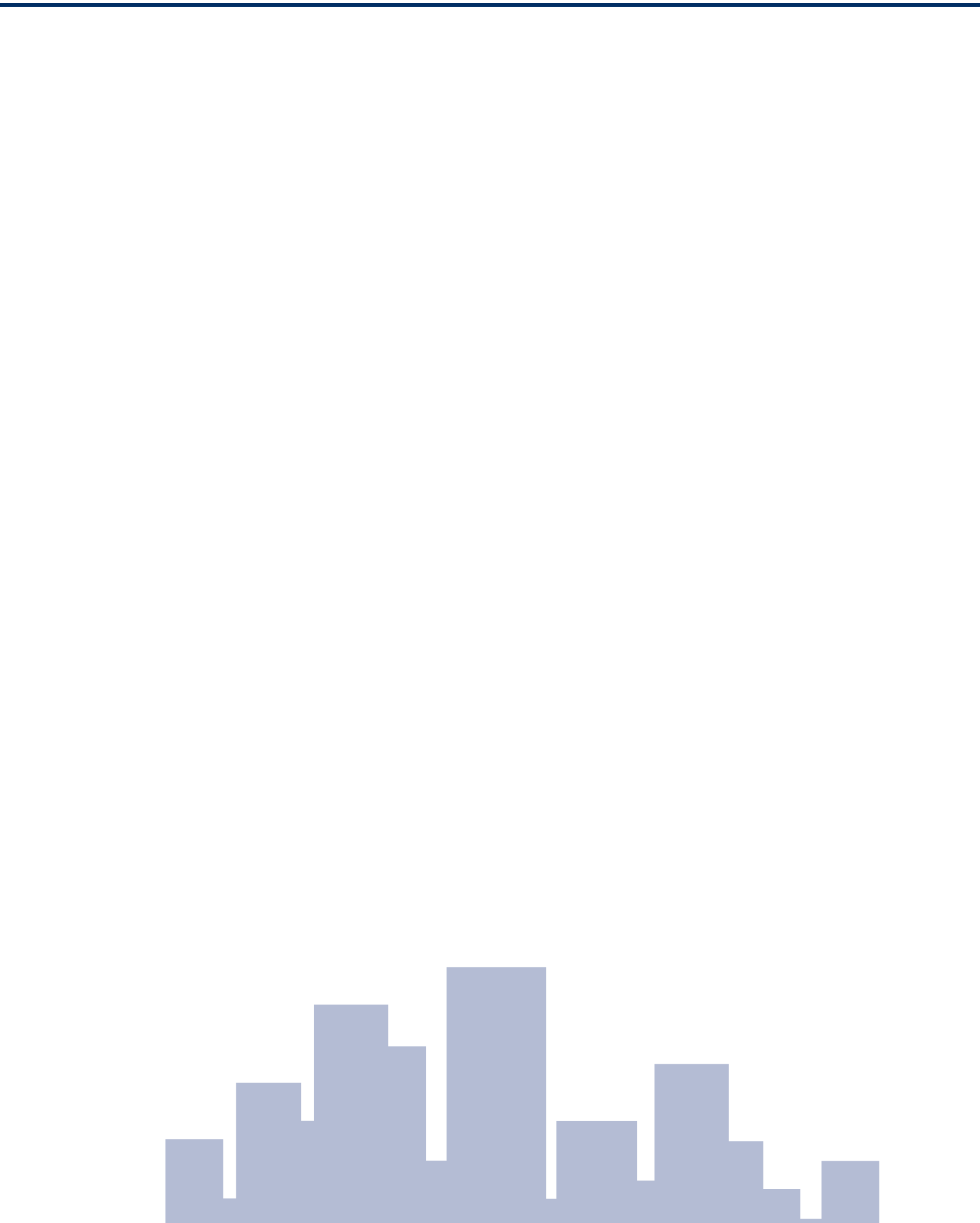


# statement of financial position of business activities as at 30 june 2017

## Business activity and category

	Business Activities					
	Actual 2017 Child care centres (Cat 1) \$,000	Actual 2016 Child care centres (Cat 1) \$,000	Actual 2017 Indoor rec centres (Cat 1) \$,000	Actual 2016 Indoor rec centres (Cat 1) \$,000	Actual 2017 Commercial centres (Cat 2) \$,000	Actual 2016 Commercial centres (Cat 2) \$,000
<b>Current Assets</b>						
Receivables	19	19	11	12	24	27
Inventories	0	0	0	0	0	0
<b>Total current assets</b>	19	19	11	12	24	27
<b>Non-current assets</b>						
Infrastructure, property, plant & equipment	18,009	17,760	55,709	51,041	17,766	13,817
<b>Total non-current assets</b>	18,009	17,760	55,709	51,041	17,766	13,817
<b>TOTAL ASSETS</b>	18,028	17,779	55,720	51,053	17,790	13,844
<b>Current liabilities</b>						
Payables	0	0	0	0	0	0
<b>Total current liabilities</b>	0	0	0	0	0	0
<b>Non-current liabilities</b>						
Borrowings	0	0	0	0	0	0
<b>Total non-current liabilities</b>	0	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	0	0	0	0	0	0
<b>NET ASSETS</b>	18,028	17,779	55,720	51,053	17,790	13,844
<b>EQUITY</b>						
Retained earnings	(10,841)	(11,594)	(32,516)	(30,204)	21,657	20,475
Council equity interest	28,869	29,373	88,236	81,257	(3,867)	(6,631)
<b>TOTAL EQUITY</b>	18,028	17,779	55,720	51,053	17,790	13,844

To be read in conjunction with the Notes to the Financial Statements.



# notes to the special purpose financial reports for the year ended 30 june 2017



# note 1 - significant accounting policies

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

These financial statements are Special Purpose Financial Statements (SPFS) prepared for use by Council and 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* and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

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

## 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 \$1000.

### (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. While 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 General Purpose Financial Statements (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).

Council operates the following restricted activities - Domestic Waste Management (DWM).



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statement**

#### **Campbelltown City Council**

To the Councillors of the 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 statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

### **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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 23 September 2016.

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

## Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

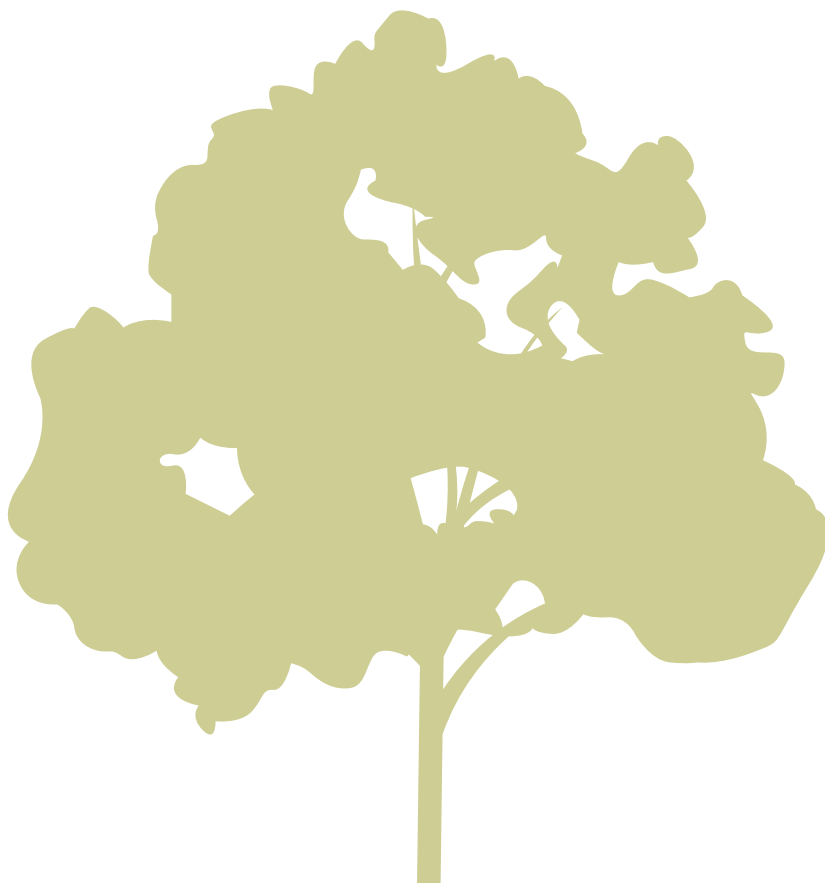
- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from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



Nathan Carter  
Director, Financial Audit Services

15 September 2017  
SYDNEY





## special schedules for the year ended 30 june 2017



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# special schedule 1 - net cost of services for the year ending 30 june 2017

Function or Activity	REVENUES FROM ORDINARY ACTIVITIES			EXPENSES FROM ORDINARY ACTIVITIES		NET COST OF SERVICES	
	non capital revenues \$,000	capital revenues \$,000	group totals \$,000	expenses \$,000	group totals \$,000	net cost \$,000	group totals \$,000
<b>GOVERNANCE</b>							
Governance	5	0		1,320		(1,315)	
Total Governance			5		1,320		(1,315)
<b>ADMINISTRATION</b>							
Administration	2,335	164		24,580		(22,081)	
Total Administration			2,499		24,580		(22,081)
<b>PUBLIC ORDER &amp; SAFETY</b>							
Fire Service Levy, Fire Protection, Emergency Services	534	0		2,655		(2,121)	
Animal Control	573	0		1,563		(990)	
Enforcement of Local Government Regulations	24	0		918		(894)	
Other	21	0		1		20	
Total Public Order & Safety			1,152		5,138		(3,986)
<b>HEALTH</b>							
Administration and inspection	599	0		2,025		(1,426)	
Immunisations	15	0		55		(40)	
Health centres	4	0		56		(52)	
Other	16	0		55		(39)	
Total Health			634		2,192		(1,558)
<b>ENVIRONMENT</b>							
Noxious Plants and insect/vermin control	41	0		110		(69)	
Other Environmental Protection	195	0		1,305		(1,110)	
Solid Waste Management	19,164	0		17,143		2,021	
Street Cleaning	5	0		2,399		(2,394)	
Drainage	109	2,438		3,816		(1,269)	
Stormwater Management	1,325	0		577		748	
Total Environment			23,277		25,350		(2,073)
<b>COMMUNITY SERVICES &amp; EDUCATION</b>							
Administration and education	40	0		1,195		(1,155)	
Children's services	7,788	0		10,365		(2,577)	
Social Protection (Welfare)	234	0		769		(535)	
Aged persons and disabled	1,970	0		2,404		(434)	
Total Community Services & Education			10,032		14,732		(4,700)
<b>HOUSING &amp; COMMUNITY AMENITIES</b>							
Street Lighting	625	0		3,312		(2,687)	
Town Planning	1,279	6,802		4,086		3,995	
Public Conveniences	0	0		44		(44)	
Other Community Amenities	49	0		2,063		(2,014)	
Total Housing & Community amenities			8,755		9,505		(750)

# special schedule 1 - net cost of services cont.

## Function or Activity

### RECREATION & CULTURE

	non capital revenues \$'000	capital revenues \$'000	group totals \$'000	expenses \$'000	group totals \$'000	net cost \$'000	group totals \$'000
Public Libraries	482	0		5,566		(5,084)	
Art Galleries	1,174	0		4,381		(3,207)	
Museums	0	0		0		0	
Community Centres and Halls	575	15		1,649		(1,059)	
Other Cultural Services	1	0		20		(19)	
Swimming Pools	2,487	0		4,203		(1,716)	
Sporting Grounds and venues	874	392		5,157		(3,891)	
Parks and Gardens	168	101		9,539		(9,270)	
Other Sport and Recreation	1,743	0		3,428		(1,685)	
Total Recreation and Culture			8,012		33,942		(25,930)

### MINING, MANUFACTURING & CONSTRUCTION

Building Control	3,378	0		2,624		754	
Other mining, manufacturing and construction	0	0		0		0	
Total mining, manufacturing and construction			3,378		2,624		754

### TRANSPORT & COMMUNICATION

Urban Roads: Local	6,296	22,088		13,358		15,026	
Urban Roads: Regional	748	0		654		94	
Sealed Rural Roads: Regional	0	0		65		(65)	
Sealed Rural Roads: Local	0	0		372		(372)	
Unsealed Rural Roads: Local	0	0		0		0	
Bridges on Urban Roads: Local	0	0		1,207		(1,207)	
Footpaths	454	0		1,933		(1,479)	
Parking Areas	1,087	0		554		533	
Other transport and communication	242	0		555		(313)	
Total transport and communication			30,915		18,698		12,217

### ECONOMIC AFFAIRS

Other economic affairs	65,316	1,525		4,742		62,099	
Total economic affairs			66,841		4,742		62,099

### TOTALS - FUNCTIONS

### GENERAL PURPOSE REVENUES <sup>1</sup>

### NET OPERATING RESULT FOR THE YEAR <sup>2</sup>

GENERAL PURPOSE REVENUES <sup>1</sup>	98,931		98,931				98,931
NET OPERATING RESULT FOR THE YEAR <sup>2</sup>			254,431		142,824		111,607

## NOTES

<sup>1</sup> - General Purpose Income consists of:

- \* Rates and Annual Charges (including ex-gratia payments)
- \* Interest on Investments
- \* General Purpose Grants (Financial Assistance & Pensioner Rates subsidies)

<sup>2</sup> - As reported on the Income Statement

Unaudited

# special schedule 2a - statement of long term debt (all purpose)

as at 30 june 2017

Classification of Debt	principal outstanding at beginning of year			new loans raised during the year \$,000	debt redemption during the year		interest applicable for year \$,000	principal outstanding at end of year		
	current \$,000	non-current \$,000	total \$,000		from revenue \$,000	Adjustments \$,000		current \$,000	non-current <sup>1</sup> \$,000	total \$,000
<b>Loans (by source)</b>										
Financial institutions	3,743	19,296	23,039	0	3,743	0	1,075	3,551	15,745	19,296
Other - Super Board	0	0	0	0	0	0	0	0	0	0
<b>Total Loans</b>	3,743	19,296	23,039	0	3,743	0	1,075	3,551	15,745	19,296
<b>Total Long Term Debt</b>	3,743	19,296	23,039	0	3,743	0	1,075	3,551	15,745	19,296

Note: reconciliation of non-current principal outstanding at end of year

<sup>1</sup> Non-current principal outstanding is exclusive of unwinding of discounts (\$173k)

Unaudited



Superb fairy wren, Matt Round



Campbelltown Civic Centre

# special schedule 7 - report on infrastructure assets as at 30 june 2017

Asset Class	Asset category (as determined by Council)	Estimated cost to bring to agreed level of service set by Council	Required annual maintenance	2016-2017 actual maintenance	Net Carrying value	Gross Replacement Cost	Assets in condition as a % of Gross Replacement Cost					
							0	1	2	3	4	5
Public buildings	Building envelope	1,431	5,645	5,809	107,555	113,387	1	12.59	61.05	23.14	1.60	0.31
	Building roof	1,700	70	87	33,304	36,794	0	12.43	50.45	33.39	3.03	0.40
	Building floor	262	5	1	57,760	60,983	9	30.56	55.82	4.04	0.72	0.00
	Building fit out	530	3	14	12,602	16,503	5	19.83	41.85	32.32	1.08	0.00
	Building services (fire, mechanical and other)	143	1,224	1,231	23,105	28,721	0	38.37	29.93	31.12	0.38	0.13
	Sub total	4,066	6,947	7,142	234,326	256,388						
Public spaces	Play equipment	753	249	129	4,194	5,794	10	61.75	13.21	8.67	6.81	0.00
	Other structures	1,000	1,038	1,086	23,803	40,982	7	19.43	50.47	21.17	2.27	0.13
	Swimming pools	175	335	329	6,008	7,633	0	64.40	19.97	13.32	2.31	0.00
	Land improvements - depreciable	62	5,667	5,862	4,595	8,406	19	19.94	19.53	40.66	0.78	0.00
	Sub total	1,990	7,289	7,406	38,600	62,815						
Public roads	Roads surfacing	3,999	3,090	3,468	82,672	104,899	19	33.80	21.46	17.88	8.12	0.08
	Roads pavements	3,691	1,596	1,681	187,533	233,853	8	30.31	39.93	18.20	3.38	0.01
	Road Formation	NA	NA	NA	24,404	24,404	NA	NA	NA	NA	NA	NA
	Bridges and culverts	873	162	161	60,405	79,776	2	1.78	96.03	0.15	0.03	0.00
	Footpaths cycle ways	3,123	556	577	51,169	70,278	4	5.69	18.40	66.45	4.50	0.79
	Kerb and gutter and traffic islands	1,853	447	592	219,514	273,342	8	4.66	47.05	39.43	0.56	0.20
	Traffic management devices	0	0	0	2,534	2,957	6	30.73	58.64	4.36	0.00	0.00
	Road furniture	46	39	48	10,714	15,708	2	0.99	83.25	14.00	0.21	0.00
	Car parks surfacing	232	15	1	5,136	7,133	1	11.62	60.35	24.16	2.69	0.55
	Car parks pavements	163	35	14	9,079	10,513	4	71.81	0.09	22.11	1.30	0.25
	Car Park formation	NA	NA	NA	2,263	2,263	NA	NA	NA	NA	NA	NA
	Other infrastructures	0	15	111	164	197	0	0.00	100.00	0.00	0.00	0.00
	Sub total	13,979	5,955	6,653	655,587	825,323						
Drainage works	Detention basins / flood mitigation	80	11	8	10,053	11,901	3	12.57	83.26	0.28	0.76	0.00
	Stormwater conduits	0	0	0	147,886	187,690	9	90.30	0.48	0.00	0.00	0.00
	Stormwater pits and headwalls	5	1,125	1,163	69,257	81,261	11	28.65	58.76	1.77	0.01	0.00
	Open channels	88	0	0	35,485	39,373	0	17.90	65.70	15.26	0.44	0.40
	Water quality devices	0	0	0	3,340	3,678	40	31.92	23.95	4.30	0.00	0.00
	Earthwork / embankments	NA	NA	NA	40,734	40,789	NA	NA	NA	NA	NA	NA
	Sub total	173	1,136	1,171	306,755	364,692						
Totals classes	Total assets	20,208	21,327	22,372	1,235,268	1,509,218						

## Infrastructure asset condition assessment

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

Note: Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any placed 'enhancements' to the existing asset.

Note: Required annual maintenance is an estimate of what should be spent to maintain assets in a satisfactory standard.

Note: Current annual maintenance is what has been spent in the current year to maintain assets.

Note: Other structures asset class is not classified as infrastructure assets for the purposes of Special Schedule 7.



## Infrastructure Asset Performance Indicators

	Amounts \$,000	2017	2016	Benchmarks
<b>Building and infrastructure renewals ratio</b>				
Asset renewals	17,237			
Depreciation, amortisation and impairment	18,175	95%	107%	>100%
To assess the rate at which these assets are being renewed against the rate they are depreciating				
<b>Infrastructure backlog</b>				
Estimated cost to bring assets to a satisfactory condition	20,208			
Carrying value of infrastructure assets	1,235,268	1.64%	2.18%	<2%
Shows what proportion the infrastructure backlog is against the total value of Council's infrastructure				
<b>Asset maintenance ratio</b>				
Actual asset maintenance	22,372			
Required asset maintenance	21,327	105%	102%	>100%
Compares actual versus required annual asset maintenance				
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to agreed service level set by Council	20,208			
Gross replacement cost	1,509,218	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.				

# special schedule 8 - permissible income for general rates as at 30 june 2017

	2016-2017 calculation \$,000	2017-2018 calculation \$,000
<b>Notional general income calculation <sup>1</sup></b>		
Last year notional income yield	78,312	78,312
plus adjustments <sup>2</sup>	791	4,454
<b>notional general income</b>	<b>79,103</b>	<b>82,766</b>
<b>Permissible income calculation</b>		
Special variation <sup>3</sup>	0%	0%
or rate peg	1.80%	1.50%
or crown land adjustment incl rate peg	0%	0%
Less expiring special variations amount	0	0
Plus special variation amount	0	0
or plus rate peg amount	1,424	1,241
or plus crown land adjustment and rate peg amount	0	0
<b>sub total</b>	<b>80,527</b>	<b>84,007</b>
Plus or minus last year's carry forward total	0	0
Less valuation objections claimed in previous year	0	0
<b>sub total</b>	<b>0</b>	<b>0</b>
<b>Total permissible income</b>	<b>80,527</b>	<b>84,007</b>
less notional income yield	(80,527)	(84,014)
catch up or (excess) result	0	(7)
plus income lost due to valuation objections claimed <sup>4</sup>	0	0
less unused catch up <sup>5</sup>	0	0
<b>carried forward to next year</b>	<b>0</b>	<b>(7)</b>

<sup>1</sup> 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 the prior year's rates income.

<sup>2</sup> 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*.

<sup>3</sup> The special variation percentage is inclusive of the rate peg percentage and where applicable crown land adjustment.

<sup>4</sup> 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 the valuation objections in any single year.

<sup>5</sup> 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 No. 8

#### Campbelltown City Council

To the Councillors of Campbelltown City Council

### Opinion

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

In my opinion, Special Schedule No. 8 of Campbelltown City Council for 30 June 2017 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 23 September 2016.

## Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Nathan Carter  
Director, Financial Audit Services

15 September 2017  
SYDNEY





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