



# 2013-2014 Financial Statements



# welcome

Campbelltown City continues to consolidate its reputation as a developing significant regional centre in south west Sydney.

A cosmopolitan city in country surrounds, Campbelltown is enjoying growth in commercial and industrial developments, while maintaining its reputation as a great place to live.

## 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 2014



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## General purpose financial reports for the year ended 30 June 2014

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

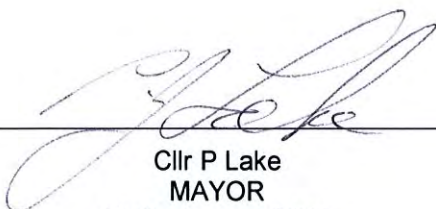
The attached General Purpose Financial Report has been prepared in accordance with:

- 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, this report:

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


Signed in accordance with a resolution of Council made on 29 July 2014.



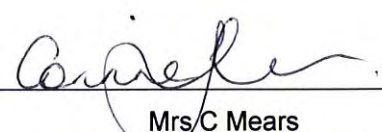
Cllr P Lake  
MAYOR  
30 September 2014



Cllr C Mead  
COUNCILLOR  
30 September 2014



Mr P Tosi  
GENERAL MANAGER  
30 September 2014



Mrs C Mears  
RESPONSIBLE ACCOUNTING OFFICER  
30 September 2014



# responsible accounting officer's report

This report provides commentary and analysis on Campbelltown City Council's Financial Reports for the 2013-2014 financial year. This report is presented to assist non-financial users to understand the contents of the Financial Statements while 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 22). 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 deficit of \$2.5m. This result is reflected on the Income Statement and shows an increase in operating revenue of \$8m and a reduction in operating expenditure of \$4m.

The deficit is largely represented by a reduction of \$5.4m in financial assistance grant revenue due to the cessation of advance payments which have been received over recent years. However, is offset by a decrease in depreciation expense of Council's fixed assets by \$4.5m.

The operating result also reflects \$8.7m of recognised revenues for dedications of roads and stormwater assets. The operating result after capital grants and contributions reflects a surplus of \$10.6m.

## **Statement of financial position**

Council's financial position as at 30 June 2014 continues to demonstrate a sound and stable financial position. The balance sheet reveals total equity of \$1.926b. This total equity is a reflection of Council's net accumulated financial worth given all assets and liabilities. Total assets amount to \$1.979b and include infrastructure, property, plant and equipment assets (roads, buildings etc) of \$1.857b, less total liabilities of \$53m which is predominantly made up of outstanding loans and provisions.

## **Cash flow**

The Cash Flow Statement summarises Council's cash receipts and payments for the financial year and the net cash in hand position. Council's cash assets increased by \$785k to \$3m during the financial year ended 30 June 2014. In addition to operating activities which contributed net cash of \$22.8m, were proceeds from the sale fixed assets (\$3.3m) and new borrowings (\$5m). Cash outflows were used to construct and renew fixed assets (\$23m) and repay borrowings (\$3.9m).

## **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 Reports, 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 they fall due. This ratio is currently standing at 3.44:1 compared to the 2012-2013 ratio of 3.17:1. This level is considered satisfactory and is above the industry benchmark of 2:1 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. Council is committed to dedicating at least 3% of rate income to specifically address the ongoing issue of infrastructure management. For the 2013-2014 financial year, \$11m 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 \$60k, an excellent outcome for Council in light of the current vulnerabilities surrounding both the domestic and international economic climate.

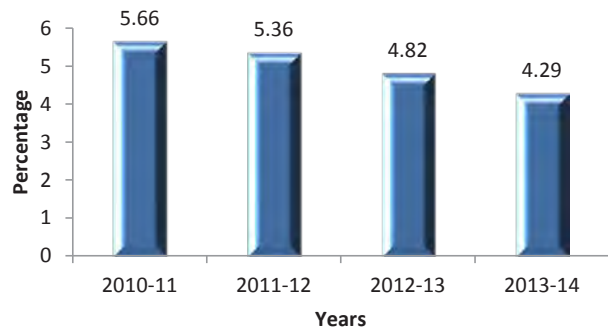
The year's financial achievements were attributable to a combined effort from all divisions and their sections in ensuring budget estimates were maintained while programs, activities and services were still delivered in accordance with identified community and organisational needs.

Council, in adopting the 2014-2015 budget and long term financial plan as well as Council's delivery program, has made a decision that will secure Council's long term financial sustainability over the next 10 year period. This decision will increase the level of annual infrastructure maintenance as well as addressing the infrastructure backlog through the various sources of income available to Council. In adopting the 2014-2015 budget, Council has implemented a one-off permanent increase to rate income by 11% called a special rate variation (SRV). By increasing rates by 11%, rather than only adopting the annual increase set by IPART, an additional \$5.2m in revenue will be generated specifically to address Council's infrastructure asset renewal and maintenance shortfall.

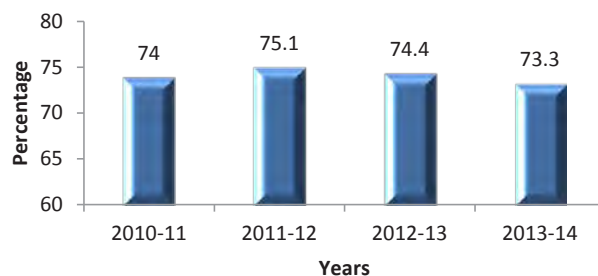
The future financial sustainability of Council is dependent on it's ability to adapt and respond to the challenges faced in the community including catering for the growth and demands of an emerging regional city, while addressing ageing infrastructure needs and demographic changes. This strategy is not a short term fix - it's a 10 year plan for a sustainable city. It will enhance the city's long term sustainability and provide infrastructure at a satisfactory level which can cater for the growth and future demands expected of an emerging regional city

Corinne Mears  
**Manager Financial Services**

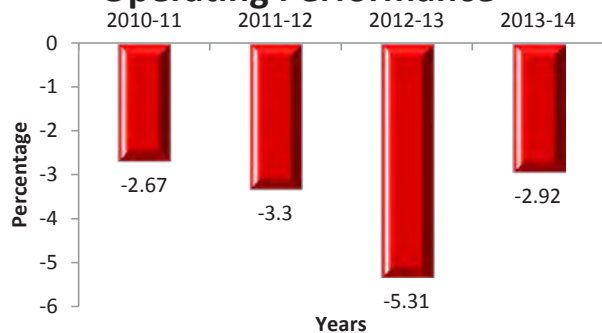
## Rate Arrears



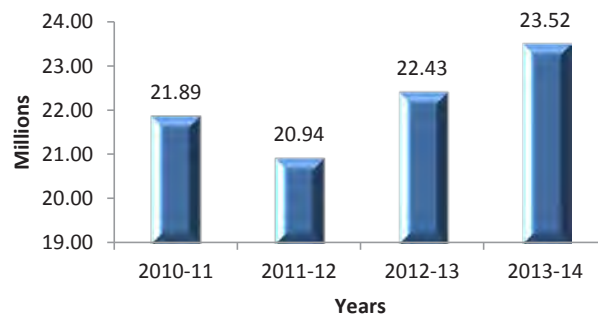
## Own Source Operating Revenue



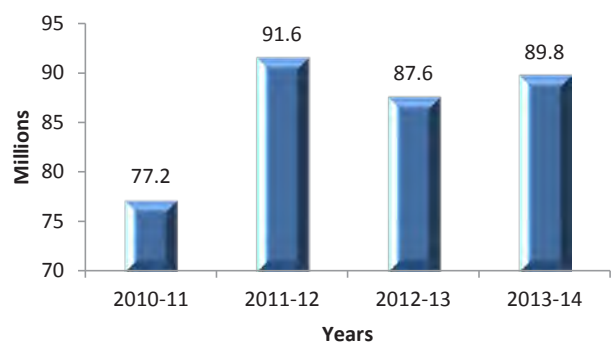
## Operating Performance



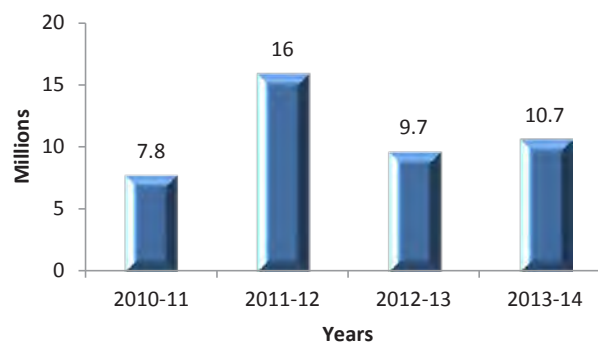
## External Debt Outstanding



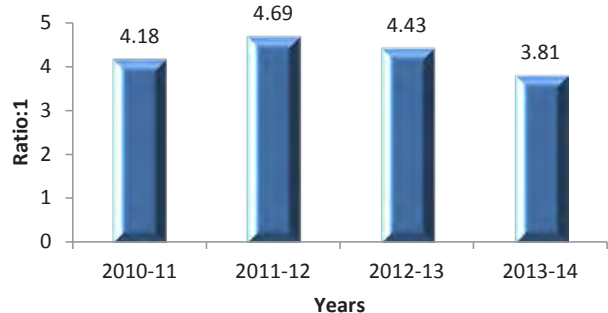
## Total Cash Position



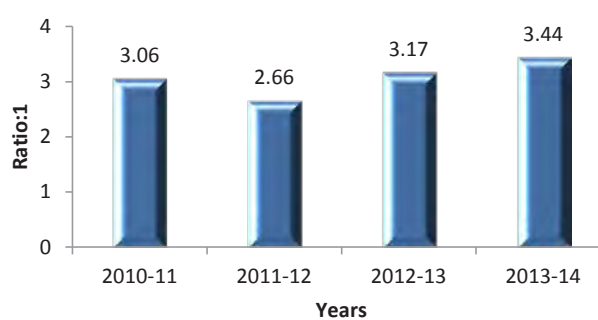
## Total Unrestricted Cash



## Debt Service Cover Ratio



## Unrestricted Current Ratio





# income statement for the year ended 30 june 2014

Original budget * 2014 (\$,000)		notes	actual 2014 (\$,000)	actual 2013 (\$,000)
<b>Income from continuing operations</b>				
82,044	Rates and annual charges	3	81,726	78,629
10,088	User charges and fees	3	11,195	10,210
4,119	Interest and investment revenue	3	4,178	4,383
26,783	Grants and contributions provided for operating purposes	3	23,759	28,559
1,700	Grants and contributions provided for capital purposes	3	13,137	5,044
0	Net gain from disposal of assets	5	497	0
3,991	Other revenues	3	4,772	4,539
<b>128,725</b>	<b>Total income from continuing operations</b>		<b>139,264</b>	<b>131,364</b>
<b>Expenses from continuing operations</b>				
58,350	Employee costs	4	53,715	52,663
899	Borrowing costs	4	1,348	1,172
22,940	Materials and contracts	4	20,819	20,698
26,297	Depreciation	4	21,667	26,246
0	Net loss from the disposal of assets	5	0	474
31,715	Other expenses	4	31,149	31,776
<b>140,201</b>	<b>Total expenses from continuing operations</b>		<b>128,698</b>	<b>133,029</b>
<b>(11,476)</b>	<b>Operating result from continuing operations</b>		<b>10,566</b>	<b>(1,665)</b>
(11,476)	Attributable to Council		10,566	(1,665)
<b>(13,176)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(2,571)</b>	<b>(6,709)</b>

\* Original budget as approved by Council - refer to note 16  
To be read in conjunction with the notes to the Financial Statements

# statement of comprehensive income for the year ended 30 june 2014

	notes	actual 2014 (\$,000)	actual 2013 (\$,000)
<b>Net operating result for the year from Income Statement</b>		10,566	(1,665)
<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	770	0
Adjustment to correct prior period errors			
<b>Amounts which will not be reclassified subsequently to operating result when specific conditions are met</b>			
Realised available for sale investment gains recognised in revenue	20b	0	0
Gain / (loss) on revaluation of available for sale investments	20b	0	0
Derecognition of land under roads	20f	0	0
Adjustment to correct prior period depreciation errors	20d	0	10,585
<b>Total comprehensive income for the year</b>		<b>9,796</b>	<b>8,920</b>
Attributable to Council		9,796	8,920

To be read in conjunction with the notes to the Financial Statements

# statement of financial position as at 30 june 2014

	notes	actual 2014 (\$,000)	revised actual 2013 (\$,000)	original actual 2013 (\$,000)
<b>Current assets</b>				
Cash and cash equivalents	6	3,026	2,241	2,241
Investments	6	86,813	85,397	85,397
Receivables	7	8,214	8,445	8,445
Inventories	8	366	361	361
Other	8	48	139	139
<b>Total current assets</b>		<b>98,467</b>	<b>96,583</b>	<b>96,583</b>
<b>Non-current assets</b>				
Receivables	7	0	0	0
Inventories	8	8,839	10,841	11,360
Infrastructure, property, plant and equipment	9	1,856,731	1,848,282	1,764,860
Investment property	14	15,109	12,474	8,070
<b>Total non-current assets</b>		<b>1,880,679</b>	<b>1,871,597</b>	<b>1,784,290</b>
<b>Total assets</b>		<b>1,979,146</b>	<b>1,968,180</b>	<b>1,880,873</b>
<b>Current liabilities</b>				
Payables	10	7,062	6,538	6,538
Borrowings	10	3,628	3,724	3,724
Provisions	10	21,086	21,623	21,623
<b>Total current liabilities</b>		<b>31,776</b>	<b>31,885</b>	<b>31,885</b>
<b>Non-current liabilities</b>				
Borrowings	10	19,369	18,010	18,010
Provisions	10	1,854	1,934	1,934
<b>Total non-current liabilities</b>		<b>21,223</b>	<b>19,944</b>	<b>19,944</b>
<b>Total liabilities</b>		<b>52,999</b>	<b>51,829</b>	<b>51,829</b>
<b>Net assets</b>		<b>1,926,147</b>	<b>1,916,351</b>	<b>1,829,044</b>
<b>Equity</b>				
Retained earnings	20	705,361	694,795	607,488
Revaluation reserves	20	1,220,786	1,221,556	1,221,556
<b>Total equity</b>		<b>1,926,147</b>	<b>1,916,351</b>	<b>1,829,044</b>

To be read in conjunction with the notes to the Financial Statements

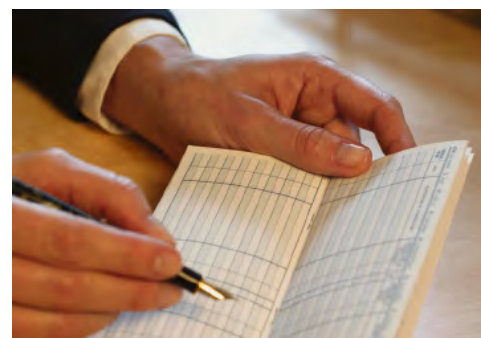
# statement of changes in equity as at 30 june 2014



Macquarie Fields Splash Park



Campbelltown Bicycle Education Centre



	2013 (\$,000)						2014 (\$,000)					
	Retained earnings	Asset revaluation reserve	Other reserves	Council equity interest	Minority interest	Total equity	Retained earnings	Asset revaluation reserve	Other reserves	Council equity interest	Minority interest	Total equity
Opening balance	598,057	1,210,971	0	1,809,028	0	1,809,028	694,795	1,221,556	0	1,916,351	0	1,916,351
Correction of errors	102,775	0	0	102,775	0	102,775	0	0	0	0	0	0
Changes in accounting policy	(4,372)	0	0	(4,372)	0	(4,372)	0	0	0	0	0	0
Restated opening balance	696,460	1,210,971	0	1,907,431	0	1,907,431	694,795	1,221,556	0	1,916,351	0	1,916,351
Net operating result for year	(1,665)	0	0	(1,665)	0	(1,665)	10,566	(770)	0	10,566	0	10,566
Other comprehensive income	0	10,585	0	10,585	0	10,585	0	(770)	0	(770)	0	(770)
Total comprehensive income	(1,665)	10,585	0	8,920	0	8,920	10,566	(770)	0	9,796	0	9,796
Closing balance	694,795	1,221,556	0	1,916,351	0	1,916,351	705,361	1,220,786	0	1,926,147	0	1,926,147

## Note

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To be read in conjunction with the notes to the Financial Statements

# statement of cash flows as at 30 june 2014

<b>budget 2014 \$,000</b>		<b>notes</b>	<b>actual 2014 \$,000</b>	<b>actual 2013 \$,000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Receipts:</b>				
82,044	Rates and annual charges		82,115	78,911
12,525	User charges and fees		14,173	12,051
4,119	Investment revenue and interest		4,117	4,405
26,046	Grants and contributions		24,612	28,548
0	Deposits and retentions received		75	169
3,991	Other		4,636	3,736
<b>Payments:</b>				
(58,351)	Employee costs		(54,338)	(53,314)
(21,969)	Materials and contracts		(19,314)	(25,693)
(898)	Borrowing costs		(1,176)	(924)
0	Deposits and retentions refunded		(18)	(136)
(32,686)	Other		(32,030)	(32,485)
14,821	Net cash provided by/or used in operating activities	11b	22,852	15,268
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts:</b>				
2,620	Sale of infrastructure, property, plant and equipment		856	2,669
0	Sale of real estate assets		2,500	0
0	Sale of investments		31,138	39,010
<b>Payments:</b>				
0	Purchase of investments		(32,552)	(39,480)
(16,640)	Purchase of infrastructure, property, plant and equipment		(22,998)	(23,403)
0	Capital expenditure on investment properties		(2,047)	0
0	Purchase of real estate assets		(52)	0
(14,020)	Net cash provided by/or used in investing activities		(23,155)	(21,204)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts:</b>				
5,000	Borrowing and advances		5,000	5,000
0	Other		0	0
<b>Payments:</b>				
(3,776)	Borrowing and advances		(3,912)	(3,508)
0	Other		0	0
1,224	Net cash provided by/or used in financing activities		1,088	1,492
2,025	Net increase/(decrease) in cash assets held		785	(4,444)
	Cash and cash equivalents at beginning of reporting period	11a	2,241	6,685
2,025	Cash and cash equivalents at end of reporting period	11a	<b>3,026</b>	<b>2,241</b>

To be read in conjunction with the notes to the Financial Statements

notes to the  
general purpose financial reports  
for the year ended 30 june 2014



# note 1 - summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report 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 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. 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.

### *Critical 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 entity and that are believed to be reasonable under the circumstances.

## **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity 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 Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions according to the priorities established in work schedules.

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, on receipt of the rates.

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

Revenue is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the 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 balance 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 plant, property, infrastructure 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 Council's Trust Fund. The consolidated fund and other entities through which Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

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

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

- Glenquarie Hall Management
- Town Hall Theatre.

The total revenue and expenditure from continuing operations and the net assets held by these Committees are as follows:

Total income from continuing operations	\$22,000
Total expenditure from continuing operations	\$20,000
Total net assets (Equity) held	\$176,000

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 by any person free of charge.

### ***(iii) Joint Ventures***

Details of any joint venture are set out in Note 19.

## **(d) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

## **(e) Acquisition of assets**

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## **(f) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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 other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **(g) 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 balance sheet.

## **(h) Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

## **(i) 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.

**(j) Non-current assets held for sale**

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The exception to this is plant and motor vehicles which are turned over on a regular basis – these are retained in property, plant and equipment.

An impairment loss is recognised for any initial or subsequent write down of the asset 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 is recognised at the date of derecognition.

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

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position.

**(k) 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 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. Derivatives are classified as held for trading unless they are designated as hedges. 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 trade and other receivables in the statement of financial position.

**(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, comprising principally marketable equity securities, 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.

**Financial assets – reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flow adjust effective interest rates prospectively.

**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.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security (note Council's obligations under Section 625 of the *Local Government Act* and S212 of the *Local Government (General) Regulation 2005*). The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. 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 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.

**Investment policy**

Council has an approved investment policy complying with Section 625 of the *Local Government Act 1993* and S212 of the *Local Government (General) Regulations 2005*. 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.

**(l) Fair value estimation**

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

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

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

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

**(m) 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 balance 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)
- Community land (internal valuation)
- Land improvements (as approximated by depreciated historical cost)
- Other structures (as approximated by depreciated historical cost)
- 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 recognised in profit or loss relating to that asset class, the increase is first recognised in 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.

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

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

Plant and equipment	5 years	Roads	100 years
Office equipment	10 years	Bridges	100 years
Furniture and fittings	10 years	Drainage	100 years
Buildings	25-100 years	Other assets	30-100 years
Other structures	5-50 years		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the *Local Government Act 1993*. This classification is made in Note 9(a).

### **(n) Investment property**

Investment property, principally comprising commercial premises, 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.

Investment property includes properties that are under construction for future use 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.

### **(o) Payables**

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

### **(p) 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 to which the facility relates.

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 balance sheet date.

### **(q) 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.



## **(r) Provisions**

Provisions for legal claims and service warranties are recognised when: the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

## **(s) 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 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 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

### **(iii) Retirement benefit obligations**

All Council employees 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 (ie as an expense when it becomes payable).

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

The Local Government Superannuation Scheme has advised member councils that as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. As a result, they have asked for significant increases in contributions to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual agreement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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.

### **(t) Rounding of amounts**

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

### **(u) Land under roads**

Council has elected to recognise all land under roads in accordance with AASB 116 Property, Plant and Equipment.

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

### **(v) 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).

### **(w) 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.

### **(x) Crown reserves**

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

### **(y) Rural fire assets**

Under Section 119 of the Rural Fire Services Act 1997 "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 these assets in their books.

### **(z) 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 balance sheet.

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.

**(aa) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. Council's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9-9 and AASB 2012-6 Amendments to Australian Accounting Standards - mandatory effective date of AASB 9 and transitional disclosures (effective from 1 January 2017).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

(ii) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 financial statements).

There are no changes to reported financial position or performance from AASB 2013-3, however additional disclosures may be required.

(iii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2014 for not-for-profit entities).

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements, but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules. As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

There are no other standards that are not yet effective and that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Income, Expenses and Assets have been directly attributed to the following Functions/Activities.  
Details of those Functions/Activities are provided.

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 2014 \$,000	actual 2014 \$,000	actual 2013 \$,000	original budget 2014 \$,000	actual 2014 \$,000	actual 2013 \$,000	original budget 2014 \$,000	actual 2014 \$,000	actual 2013 \$,000	actual 2014 \$,000	actual 2013 \$,000	actual 2014 \$,000	actual 2013 \$,000
Governance	0	0	3	654	634	1,254	(654)	(634)	(1,251)	0	0	16	33
Administration	1,751	2,291	427	40,567	21,753	22,733	(38,816)	(19,462)	(22,306)	0	15	274,007	271,184
Public Order & Safety	727	931	848	3,721	4,055	3,321	(2,994)	(3,124)	(2,473)	302	308	34,573	32,816
Health	598	527	17	1,776	2,186	89	(1,178)	(1,659)	(72)	0	0	981	658
Environment	17,469	17,656	517	23,809	23,373	4,139	(6,340)	(5,717)	(3,622)	1,215	0	835	913
Community Services & Education	12,003	11,226	11,269	14,984	15,641	16,685	(2,981)	(4,415)	(5,416)	8,238	8,520	19,409	16,397
Housing & Community Amenities	1,398	8,200	19,825	3,169	7,492	27,638	(1,771)	708	(7,813)	243	(98)	340,934	385,935
Recreation & Culture	5,455	6,381	8,574	28,317	31,922	34,016	(22,862)	(25,541)	(25,442)	1,058	1,105	554,811	606,409
Mining, Manufacturing & Construction	2,081	2,475	1,721	2,241	2,291	2,116	(160)	184	(395)	0	0	319	346
Transport & Communication	5,278	5,671	6,067	17,304	15,934	17,234	(12,026)	(10,263)	(11,167)	1,478	2,034	715,768	622,906
Economic Affairs	2,766	9,011	3,467	3,659	3,417	3,804	(893)	5,594	(337)	0	0	37,493	30,584
TOTALS FUNCTIONS/ACTIVITIES	49,526	64,369	52,735	140,201	128,698	133,029	(90,675)	(64,329)	(80,294)	12,534	11,884	1,979,146	1,968,180
GENERAL PURPOSE INCOME <sup>(1)</sup>	79,199	74,893	78,629				79,199	74,893	78,629	6,549	11,163		
NET OPERATING RESULT FOR THE YEAR	128,725	139,264	131,364	140,201	128,698	133,029	(11,476)	10,566	(1,665)	19,083	23,047	1,979,146	1,968,180

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

## note 2b - components of functions

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

### **Governance**

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

### **Administration**

Costs not otherwise attributed to other functions.

### **Public Order and Safety**

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

### **Health**

Administration and inspection, immunisations, food control, health centres.

### **Environment**

Noxious plants, environment protection, domestic and solid waste management, other sanitation and garbage, street cleaning, urban stormwater drainage, stormwater management.

### **Community Services and Education**

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

### **Housing and Community Amenities**

Housing, town planning, public conveniences, other community amenities, street lighting.

### **Recreation and Culture**

Public libraries, art galleries, community centres, public halls, swimming pools, sporting grounds, parks and gardens, other sport and recreation.

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

Building control, quarries.

### **Transport and Communication**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters and services.

### **Economic Affairs**

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

## note 3 - income from continuing operations

	actual 2014 \$,000	actual 2013 \$,000
<b>(a) Rates and Annual Charges</b>		
<b>Ordinary rates</b>		
Residential	45,459	43,353
Farmland	414	400
Business	15,792	15,080
Mining	14	13
<b>Total ordinary rates</b>	<b>61,679</b>	<b>58,846</b>
<b>Special rates</b>		
Loan	4,117	4,197
<b>Total special rates</b>	<b>4,117</b>	<b>4,197</b>
<b>Annual charges (pursuant to s496 and s501)</b>		
Domestic waste management services	14,699	14,381
Commercial waste management services	330	312
Other - ex-gratia	0	0
Stormwater management levy	901	893
<b>Total annual charges</b>	<b>15,930</b>	<b>15,586</b>
<b>Total rates and annual charges</b>	<b>81,726</b>	<b>78,629</b>

Council has used 2012 valuations provided by the NSW Valuer General in calculating its rates. Valuations are updated every three years.



	actual 2014 \$,000	actual 2013 \$,000
<b>(b) User Charges and Fees</b>		
<b>User charges (pursuant to s502)</b>		
Sullage	610	558
Hire of Council facilities	3,363	3,053
Memberships	710	652
Child care fees	2,671	2,426
Property rented	2,098	1,855
Other	76	62
<b>Total user charges</b>	<b>9,528</b>	<b>8,606</b>
<b>Fees (discretionary)</b>		
RMS charges	109	174
Private works	156	136
s611	434	401
Building services	482	489
Road/footpath reinstatement	376	299
Other	110	105
<b>Total user fees</b>	<b>1,667</b>	<b>1,604</b>
<b>Total user charges and fees</b>	<b>11,195</b>	<b>10,210</b>
<b>(c) Interest and Investment Revenue</b>		
Overdue rates and charges	247	306
Cash, cash equivalents and investments		
- externally restricted (section 94)	59	70
- externally restricted (other)	902	1,223
- internally restricted	2,719	2,603
- unrestricted	251	181
Discounts and premiums on financial instrument transactions		
- Interest free loan provided	0	0
<b>Total interest revenue</b>	<b>4,178</b>	<b>4,383</b>
<b>(d) Other Revenues</b>		
Events and promotions	95	185
Fair value adjustments - investment properties	588	0
Fines	1,063	836
Recycling income (not domestic)	4	6
Legal fees recovery (rates)	715	712
Insurance claims	80	161
Commissions and agency fees	323	327
Sundry contributions to works	670	533
Minor equipment sold	20	25
Sale of animals	121	100
Sale of consumables	276	272
Sale of property	383	901
Rebates	55	125
Other	379	356
<b>Total other revenue from continuing operations</b>	<b>4,772</b>	<b>4,539</b>

## note 3 - income from continuing operations cont.

	operating 2014 \$,000	capital 2014 \$,000	operating 2013 \$,000	capital 2013 \$,000
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance - general purpose component	4,225	0	8,868	0
Financial assistance - local roads component	798	0	1,568	0
<b>Specific purpose</b>				
Pensioner rates subsidies				
- General	755	0	727	0
- DWM	244	0	235	0
Transport	1,757	737	1,382	605
Drainage	0	0	0	50
Child care	5,639	0	5,892	0
Heritage and culture	275	0	294	0
Aged and community care	2,538	0	2,583	0
Libraries	376	0	380	0
Emergency services	300	0	280	0
Environmental planning	0	0	0	0
Sport and recreation	0	0	0	0
Other	1,390	49	157	26
<b>Total grants</b>	<b>18,297</b>	<b>786</b>	<b>22,366</b>	<b>681</b>
Comprising:				
- Commonwealth funding	11,776	0	17,439	0
- State funding	6,427	186	4,750	205
- Other funding	94	600	177	476
<b>(f) Contributions</b>				
Developer contributions (S94)				
- open space	0	478	0	0
- community facilities	220	2,216	0	1,578
RMS contributions	615	0	600	0
Regulatory/statutory fees	3,154	0	2,071	0
Other councils	30	0	3	0
Community bodies/clubs	5	0	23	0
Donations/sponsorships	105	0	137	0
Minto community library	123	0	195	0
Car lease contributions	402	0	391	0
Car parking	0	157	0	34
Regional/property development	236	0	323	0
Waste performance improvement	0	0	941	0
Road network improvement	0	0	0	0
Playing field improvements	0		0	250
Child care	0		0	150
Transport	0	0	1,100	0
Dedications	0	8,691	0	2,150
Other	572	809	409	201
<b>Total contributions</b>	<b>5,462</b>	<b>12,351</b>	<b>6,193</b>	<b>4,363</b>
<b>Total grants and contributions</b>	<b>23,759</b>	<b>13,137</b>	<b>28,559</b>	<b>5,044</b>

	actual 2014 \$,000	actual 2013 \$,000
<b>(g) Restrictions relating to Grants and Contributions</b>		
Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	19,399	18,197
Grants and contributions recognised in the current period which have not been spent	3,957	9,416
Less:		
Grants and contributions recognised in previous reporting periods which have been spent in the current period	9,282	8,214
<b>Closing balance of restricted grants and contributions</b>	<b>14,074</b>	<b>19,399</b>

The graceful and delicate butterfly, Leanne Kell  
2013 Nature Photography competition entrant



## note 4 - expenses from continuing operations

	actual 2014 \$,000	actual 2013 \$,000
<b>(a) Employee Benefits and On Costs</b>		
Salaries and wages	41,738	41,029
Travelling	88	106
Employee leave entitlements	5,982	7,130
Superannuation	5,037	4,875
Workers compensation - claims and admin costs	533	975
Workers compensation - reduction in claims liability	0	(1,770)
Fringe benefits tax	347	289
Training costs (excluding salaries)	367	444
Less: capitalised costs	(377)	(415)
<b>Total employee costs expensed</b>	<b>53,715</b>	<b>52,663</b>
No. of full time equivalent employees	619	623
<b>(b) Borrowing Costs</b>		
Interest on loans	1,174	917
Amortisation of discounts and premiums		
- Interest free loan received	174	255
<b>Total borrowing costs expensed</b>	<b>1,348</b>	<b>1,172</b>
<b>(c) Materials and Contracts</b>		
Raw materials and consumables	4,685	4,388
Contractor and consultancy costs	15,145	15,353
Remuneration of Auditors <sup>(1)</sup>	68	120
Legal expenses:		
- planning and environment	109	31
- other	812	806
<b>Total materials and contracts</b>	<b>20,819</b>	<b>20,698</b>
<sup>(1)</sup> During the year the following fees were paid for services provided by Council's auditor - Intentus Chartered Accountants		
- audit and review of financial statements	63	64
- other audit work	0	2
<b>Total remuneration Intentus Chartered Accountants</b>	<b>63</b>	<b>66</b>
During the year the following fees were paid for services provided by Council's auditor - Trinitas Group		
- WHS case management audit	5	0
<b>Total remuneration Trinitas Group</b>	<b>5</b>	<b>0</b>
During the year the following fees were paid for services provided by Council's auditor - Workers Compensation Solutions		
- WHS Case Management Audit	0	18
<b>Total remuneration Workers Compensation Solutions</b>	<b>0</b>	<b>18</b>
During the year the following fees were paid for services provided by Council's auditor - Minerva Consulting Group Limited		
- WHS Compliance audit	0	17
<b>Total remuneration Minerva Consulting Group Limited</b>	<b>0</b>	<b>17</b>
During the year the following fees were paid for services provided by Council's auditor - Noel Arnold and Associates		
- WHS first aid audit	0	19
<b>Total remuneration Noel Arnold and Associates</b>	<b>0</b>	<b>19</b>

	Depn actual 2014 \$,000	Depn actual 2013 \$,000	Imp actual 2014 \$,000	Imp actual 2013 \$,000
<b>(d) Depreciation and Impairment</b>				
Plant and equipment	1,862	1,879	0	0
Office equipment	492	522	0	0
Furniture and fittings	223	246	0	0
Land improvements - depreciable	291	202	0	0
Buildings - non specialised	2,314	6,704	0	0
Buildings - specialised	1,261	1,310	0	0
Other structures and swimming pools	2,093	1,627	0	0
Infrastructure - roads, bridges and footpaths	10,707	11,353	0	0
Infrastructure - storm water drainage	2,023	2,017	0	0
Other assets - library books	386	384	0	0
Other assets - other	69	69	0	0
Less: capitalised costs/impairment reversals	(54)	(67)	0	0
<b>Total depreciation costs expensed</b>	<b>21,667</b>	<b>26,246</b>	<b>0</b>	<b>0</b>

	actual 2014 \$,000	actual 2013 \$,000
<b>(e) Other Expenses</b>		
Advertising	663	816
Aged care expenses	500	610
Bad and doubtful debts	155	139
Bank charges and fees	114	100
Board of fire commissioners	829	856
Bush Fire Fighting Fund	199	227
Cash collection charges	20	23
Child care expenses	2,074	2,283
Computer equipment and fees	1,913	2,103
Consultants fees	1,009	1,080
Contributions and donations	539	596
Electricity and heating	1,473	1,509
Emergency Services Levy	192	165
Equipment maintenance and repairs	126	147
Equipment/furniture and fittings	431	541
Hired personnel	935	875
Insurance	1,356	1,491
Mayoral fee	59	52
Councillors' fees	318	325
Office expenses	84	74
Operating lease rentals - cancellable	275	241
Planning levy	108	105
Postage and agency fees	297	302
Professional fees	336	922
Regional development	41	13
Self insurance expenses	598	411

## note 4 - expenses from continuing operations cont.

	actual 2014 \$,000	actual 2013 \$,000
<b>(e) Other Expenses</b>		
Seminar/conference/civic functions	166	174
Street lighting	3,473	3,274
Telephone	659	719
Tipping fees/contributions	7,831	7,468
Utility charges	277	302
Valuer General's Department	350	338
Water rates	1,018	810
Other	2,731	2,685
<b>Total other expenses from continuing operations</b>	<b>31,149</b>	<b>31,776</b>

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

	actual 2014 \$,000	actual 2013 \$,000
<b>Gain (or loss) on disposal of land</b>		
Proceeds from disposal	2,500	0
Less: carrying amount of assets sold	(2,054)	0
Gain (or loss) on disposal	446	0
<b>Gain (or loss) on disposal of infrastructure, property, plant and equipment</b>		
Proceeds from disposal	850	2,659
Less: carrying amount of assets sold	(799)	(3,133)
Gain (or loss) on disposal	51	(474)
<b>Net gain (or loss) on disposal of assets</b>	<b>497</b>	<b>(474)</b>



## note 6a - cash and cash equivalents

	actual 2014		actual 2013	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>Cash Assets</b>				
Cash on hand and at bank	1,824	0	1,575	0
Deposits at call	1,202	0	666	0
Term deposits	0	0	0	0
<b>Total cash assets</b>	<b>3,026</b>	<b>0</b>	<b>2,241</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 2014		actual 2013	
	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>	14,000	0	19,200	0
Held to maturity investments	72,813	0	66,197	0
<b>Total</b>	<b>86,813</b>	<b>0</b>	<b>85,397</b>	<b>0</b>
<b>Financial assets at fair value through profit and loss - held for trading</b>				
At beginning of year	19,200	0	19,400	0
Additions	0	0	0	0
Disposals (sale/redemption)	(5,200)	0	(200)	0
At end of year	14,000	0	19,200	0
Comprising of:				
Managed funds	0	0	0	0
Floating rate notes	14,000	0	19,000	0
Bills of exchange	0	0	200	0
	14,000		19,200	0
<b>Held to maturity investments</b>				
At beginning of year	66,197	0	65,527	0
Additions	32,552	0	39,480	0
Disposals (sale/redemption)	(25,936)	0	(38,810)	0
At end of year	72,813	0	66,197	0
Comprising of:				
Terms deposits	70,588	0	62,057	0
Treasury Corporation	2,225	0	4,140	0
	72,813	0	66,197	0

Securities have been invested in accordance with Section 625 of the LGA. The deposits are bearing rates between 3.40% and 7.25% (2013 - 2.74% and 7.25%).

<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 2014		actual 2013	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>Total cash, cash equivalents and investments</b>	89,839	0	87,638	0
External restrictions	20,657	0	25,861	0
Internal restrictions	58,466	0	52,046	0
Unrestricted	10,716	0	9,731	0
<b>Total</b>	89,839	0	87,638	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)	3,340	0	110	3,230
<b>Other</b>				
Developer contributions - S94 (D)	5,786	946	0	6,732
Developer contributions - Other (D)	613	162	0	775
Specific purpose unexpended grants (F)	6,900	0	4,711	2,189
Domestic waste management (I)	2,881	125	0	3,006
General contributions (J)	6,099	0	1,721	4,378
Stormwater management levy (J)	242	105	0	347
<b>Total external restrictions</b>	25,861	1,338	6,542	20,657
<b>INTERNAL RESTRICTIONS</b>				
<b>Included in liabilities</b>				
Employee leave entitlements (J)	10,577	0	0	10,577
<b>Other</b>				
Committed works funded by loans (K)	2,568	397	0	2,965
Property development (K)	12,373	33	0	12,406
Replacement of plant and vehicles (K)	2,271	416	0	2,687
Future infrastructure fund (K)	13,149	3,622	0	16,771
Asset replacement (K)	2,238	1,198	0	3,436
Self insurance (K)	2,495	0	105	2,390
Committed works (K)	1,856	52	0	1,908
Child care (F)	0	0	0	0
Local Government elections (K)	39	200	0	239
Heritage funds (J)	45	5	0	50
Community bus (K)	77	6	0	83
Olympic ambassador (K)	90	5	0	95
Motor vehicle insurance excess (K)	856	145	0	1,001
Public liability claims (K)	2,154	211	0	2,365
Industrial special risk insurance (K)	775	235	0	1,010
Environmental planning (K)	78	0	0	78
Environmental sustainability (K)	405	0	0	405
<b>Total internal restrictions</b>	52,046	6,525	105	58,466
<b>TOTAL RESTRICTIONS</b>	77,907	7,863	6,647	79,123

- 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 which are not yet expended for the purposes for which the grants were obtained (See Note 1).
- G-I. 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.

## note 7 - receivables

Purpose	actual 2014		actual 2013	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
Rates and annual charges	3,096	273	3,364	255
Interest and extra charges	721	58	776	52
User charges and fees	825	0	796	0
Accrued interest on investments	927	0	836	0
Government grants and subsidies	1,268	0	830	0
Private works	23	0	57	0
Sundry debtors	1,691	0	2,117	0
<b>TOTAL</b>	<b>8,551</b>	<b>331</b>	<b>8,776</b>	<b>307</b>
Less: provision for doubtful debts				
- rates and annual charges	(126)	(331)	(134)	(307)
- development reserve	(7)	0	(7)	0
- user charges and fees	(195)	0	(178)	0
- other	(9)	0	(12)	0
	<b>8,214</b>	<b>0</b>	<b>8,445</b>	<b>0</b>

### RESTRICTED RECEIVABLES

#### EXTERNAL RESTRICTIONS

	current \$,000	non-current \$,000	current \$,000	non-current \$,000
Domestic waste management	543	0	597	0
Loan rates	0	0	0	0
Other rates	0	0	0	0
Parking contributions	0	0	0	0
	<b>543</b>	<b>0</b>	<b>597</b>	<b>0</b>

#### INTERNAL RESTRICTIONS

Property development	64	0	91	0
Less: provision for doubtful debts	(7)	0	(7)	0
	<b>57</b>	<b>0</b>	<b>84</b>	<b>0</b>

#### TOTAL RESTRICTED RECEIVABLES

#### UNRESTRICTED RECEIVABLES

#### TOTAL RECEIVABLES

	7,614	0	7,764	0
	<b>8,214</b>	<b>0</b>	<b>8,445</b>	<b>0</b>

### **Rates and annual charges**

Rates are secured by underlying properties. Interest is charged on overdue rates at 9% (2013 - 10%). 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 \$3.0m (2013 - \$3.4m). 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 (2013-\$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 \$211k (2013 - \$197k).

Freres Crossing, Kentlyn



Macquarie Fields Splash Park



## note 8 - inventories and other assets

	actual 2014		actual 2013	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>(a) Inventories</b>				
Real estate (refer (i) below)	0	8,839	0	10,841
Store and materials	366	0	361	0
	366	8,839	361	10,841
<b>(i) Real estate development</b>				
Industrial/commercial	0	8,839	0	10,841
	0	8,839	0	10,841
(valued at the lower of cost and net realisable value)				
<b>Represented by</b>				
Other properties - book value	0	8,839	0	10,841
<b>Total real estate for resale</b>	0	8,839	0	10,841
<b>(b) Inventories not expected to be realised in the next 12 months</b>				
	0	8,839	0	10,841
	0	8,839	0	10,841
<b>(c) Other assets</b>				
Prepayments	48	0	139	0
	48	0	139	0

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



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

CLASS OF ASSET	At 30/06/2013					Movements During Year					At 30/06/2014			
	Cost	Fair Value	Accum Depn & Impairment	WDV	Asset purchases (2)	WDV disposals	Depn and Impairment	Transfer/ adjustments (1)	Revaluation Inc/Dec (4)	Cost	Fair Value	Accum Depn & Impairment	WDV	
	BY TYPE													
Plant and equipment	16,034		9,597	6,437	2,017	799	1,808			15,581		9,733	5,848	
Office equipment	7,753		5,823	1,929	217		492			7,970		6,315	1,654	
Furniture and fittings	3,283		2,554	729	30		223			3,313		2,777	536	
Land														
- Operational land		567,750		567,750	120				(76,979)		490,891		490,891	
- Community land		266,322		266,322	4,246						270,568		270,568	
- non depreciable land improvements														
- land under roads		80,719		80,719	8				2,270		82,998		82,998	
Land improvements														
- depreciable		3,630	1,403	2,227	177		291			3,807		1,693	2,113	
- non depreciable		60,286		60,286	486					60,771			60,771	
Buildings - specialised (3)	71	219,756	20,422	199,405	563	218	2,314		(46,807)		167,756	17,126	150,630	
Buildings - non specialised (3)		33,138	4,743	28,395	360	237	1,261		35,005		76,617	14,355	62,262	
Other structures (5)		34,433	14,198	20,235	2,236	187	1,925				36,162	15,802	20,360	
Infrastructure														
- roads	5	461,377	104,781	356,601	11,521	1,490	9,445		78,521		576,919	141,212	435,708	
- bridges		71,721	39,994	31,727	3,442	11	650		(2,396)		74,119	42,007	32,113	
- footpaths		36,385	15,549	20,836	605	327	612		4,638		45,606	20,465	25,141	
- storm water drainage		261,957	67,354	194,603	4,323	375	2,024		7,823		277,727	73,378	204,350	
- swimming pools		5,181	1,879	3,302	1,038		168				6,220	2,048	4,172	
Other assets														
- library books	8,937	6,036	8,125	812	293		386			9,230	6,036	8,511	718	
- other			69	5,967			69					138	5,898	
TOTALS	36,083	2,108,691	296,491	1,848,282	31,682	3,644	21,668	0	2,075	100,672	2,111,619	355,560	1,856,731	

(1) Refer note 20(d) for explanation of adjustments.

(2) Additions for the year are made up of asset renewals (\$11m) and new assets (\$21m).

(3) Excludes investment properties.

(4) Valuations are carried out by a member of the Australian Property Institute. PPE fair value decrement relates to correction of prior period errors..

(5) 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	acc dep	WDV	at cost	fair value	acc dep	WDV
	2014 \$,000				2013 \$,000			
<b>Domestic Waste Management</b>								
Plant and equipment	30	0	16	14	30	0	16	14
Land - operational land	0	35,952	0	35,952	0	34,000	0	34,000
<b>Total domestic waste management</b>	30	35,952	16	35,966	30	34,000	16	34,014
<b>Total restrictions</b>	30	35,952	16	35,966	30	34,000	16	34,014

Bradbury Oval culvert



Eagle Vale Central Library



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

	actual 2014		actual 2013	
	current \$,000	non-current \$,000	current \$,000	non-current \$,000
<b>PAYABLES</b>				
Goods and services	3,522	0	2,716	0
Payments received in advance	1,541	0	1,510	0
Accrued wages and salaries	1,012	0	1,229	0
Accrued expenses - other	5	0	8	0
Deposits and retentions	982	0	1,075	0
<b>Total payables</b>	<b>7,062</b>	<b>0</b>	<b>6,538</b>	<b>0</b>
<b>BORROWINGS</b>				
Loans - secured <sup>(1)</sup>	3,628	19,369	3,724	18,010
<b>Total interest bearing liabilities</b>	<b>3,628</b>	<b>19,369</b>	<b>3,724</b>	<b>18,010</b>
<b>PROVISIONS <sup>(2)</sup></b>				
Annual leave	4,846	0	4,978	0
Sick leave	4,046	0	4,357	0
Long service leave	11,694	304	11,708	334
Self insurance - workers compensation <sup>(3)</sup>	500	1,550	580	1,600
<b>Total provisions</b>	<b>21,086</b>	<b>1,854</b>	<b>21,623</b>	<b>1,934</b>
<b>Current provisions not expected to be settled within the next 12 months</b>	<b>7,438</b>	<b>0</b>	<b>7,485</b>	<b>0</b>
<b>LIABILITIES RELATING TO RESTRICTED ASSETS</b>				
Self insurance (notes 6, 21) <sup>(3)</sup>	3,230	0	3,340	0
<b>Total</b>	<b>3,230</b>	<b>0</b>	<b>3,340</b>	<b>0</b>

(1) Loans are secured over the rating income of Council.

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

(3) Council is a licensed self insurer under the *Workers Compensation Act* in NSW.

## note 10b - descriptions and movements in provisions

Class of provision	opening balance \$,000	increases in provision \$,000	payments \$,000	re-measurement \$,000	closing balance \$,000
Annual leave	4,978	2,961	3,093	0	4,846
Sick leave	4,357	1,429	1,740	0	4,046
Long service leave	12,042	1,105	1,149	0	11,998
Self insurance *	2,180	0	0	(130)	2,050
<b>Total</b>	<b>23,557</b>	<b>5,495</b>	<b>5,982</b>	<b>(130)</b>	<b>22,940</b>

### \* Self insurance

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

Native planting



Solar panels at Campbelltown Arts Centre



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

	notes	actual 2014 \$,000	actual 2013 \$,000
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalents	6	3,026	2,241
Less bank overdraft	10a	0	0
Balances as per statement of cash flows		3,026	2,241
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
Surplus/(deficit) from ordinary activities		10,566	(1,665)
Add: Depreciation		21,667	26,246
Increase in provision for doubtful debts		30	0
Increase in provision for leave entitlements		0	1,095
Increase in other provisions		0	0
Decrease in receivables		201	0
Decrease in inventories		0	26
Decrease in other current assets		91	112
Receivable relating to sale of assets		0	0
Increase in payables		524	0
Increase in accrued interest payable		0	0
Increase in other current liabilities		0	0
Amortisation of discounts and premiums recognised		174	255
Loss on sale of assets		0	474
		33,253	26,543
Less: Decrease in provision for leave entitlements		487	0
Decrease in provision for doubtful debts		0	50
Decrease in other provisions		130	1,770
Increase in receivables		0	805
Increase in inventories		5	0
Increase in other current assets		0	0
Decrease in payables		0	5,838
Decrease in accrued interest payable		3	6
Decrease in other current liabilities		0	0
Non-cash capital grants and contributions		8,691	2,806
Gain on sale of assets		497	0
Discounts and premiums on financial instruments		0	0
Fair value adjustments to investment property		588	0
Net cash provided by/used in operating activities		22,852	15,268
<b>(c) Non-cash financing and investing activities</b>			
Acquisition of plant and equipment by finance leases		0	0
Dedications		8,691	2,150
		8,691	2,150
<b>(d) Financing arrangements</b>			
Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facility*		500	500
Corporate credit card facility		840	840
		1,340	1,340

\* 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 2014 \$,000	actual 2013 \$,000
<b>(a) Capital commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- buildings	660	2,493
- land	1,080	0
- infrastructure - roads, bridges, footpaths	328	3,000
	<hr/> 2,068	<hr/> 5,493
These expenditures are payable:		
- within one year	2,068	5,493
- later than one year and not later than five years	0	0
	<hr/> 2,068	<hr/> 5,493
These capital commitments are for the upgrade and renewal of road infrastructure, refurbishment of an aquatic centre and purchase of land.		
<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	50,495	3,907
	<hr/> 50,495	<hr/> 3,907
These expenditures are payable:		
- within one year	5,339	3,907
- later than one year and not later than five years	28,341	0
- later than five years	16,815	0
	<hr/> 50,495	<hr/> 3,907
<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:		
- within one year	214	302
- later than one year and not later than five years	35	250
- later than five years	0	0
	<hr/> 249	<hr/> 552

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.



## note 13 - statement of performance measures

	2014 \$,000	2014	2013
<b>OPERATING PERFORMANCE</b>			
Operating revenue <sup>(5)</sup> excl capital grants and contributions less operating expenses	(3,657)	-2.92%	-5.31%
Operating revenue <sup>(5)</sup> excl capital grants and contributions	125,042		
<b>OWN SOURCE OPERATING REVENUE</b>			
Rates, fees and charges	101,283	73.3%	74.4%
Total operating revenue <sup>(5)</sup> incl capital grants and contributions	138,179		
<b>UNRESTRICTED CURRENT RATIO</b>			
Current assets less all external restrictions <sup>(1)</sup>	77,267	3.44:1	3.17:1
Current liabilities less specific purpose liabilities <sup>(2) (3)</sup>	22,431		
<b>DEBT SERVICE COVER RATIO</b>			
Operating result <sup>(5)</sup> before capital, excl interest and depreciation	19,359	3.81:1	4.43:1
Principal repayments plus borrowing interest costs	5,086		
<b>RATES AND ANNUAL CHARGES OUTSTANDING PERCENTAGE</b>			
Rates and annual charges outstanding	3,691	4.29%	4.82%
Rates and annual charges collectible	85,979		
<b>CASH EXPENSE COVER RATIO</b>			
Current years cash and cash equivalents	75,839	8.21	7.08
Payments from cash flows from operating and financing activities	110,788		

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

<sup>(2)</sup> Refer to Note 10a.

<sup>(3)</sup> \$7.4m ELE transferred out - AASB 1028 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 and reversal of revaluation decrements.

## note 13 - statement of performance measures cont.

### **OPERATING PERFORMANCE**

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

Benchmark is greater than 0%.

### **OWN SOURCE OPERATING REVENUE**

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

Benchmark is greater than 60%.

### **UNRESTRICTED CURRENT RATIO**

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

Benchmark is greater than 1.5.

### **DEBT SERVICE COVER RATIO**

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

Benchmark is greater than 2.

### **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 contribute paying immediate expenses without additional cashflow.

Benchmark is greater than 3.

## note 14 - investment properties

	actual 2014 \$,000	actual 2013 \$,000
<b>At fair value</b>		
Opening balance as at 1 July	12,474	8,053
Acquisitions	0	0
Capitalised subsequent expenditure:		
- buildings	754	17
- land	1,293	0
Classified as held for sale or disposals	0	0
Net gain (loss) from fair value adjustment	588	0
Correction of prior period error	0	(5,427)
Land not previously recognised	0	9,831
Transfer (to) from inventories and owner occupied property	0	0
<b>Closing balance at 30 June</b>	<b>15,109</b>	<b>12,474</b>

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

Rental income	1,473	1,382
Net gain (loss) from fair value adjustment	0	0
Direct operating expenses from property that generated rental income	163	148
Direct operating expenses from property that did not generate rental income	0	0

### (b) Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2014 revaluations were based on independent assessments made by a member of the Australian Property Institute. A review of these valuations has been done and Council is of the opinion that there is no material movement in valuations.

### (c) 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.

### (d) Leasing arrangements

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	1,283	1,281
later than one year but not later than five years	3,591	3,949
later than five years	4,127	4,562
	<b>9,001</b>	<b>9,792</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 balance date:

	Carrying Value		Fair Value	
	2014 \$,000	2013 \$,000	2014 \$,000	2013 \$,000
<b>Financial assets</b>				
Cash and cash equivalents	3,026	2,241	3,026	2,241
Receivables	8,214	8,445	8,214	8,445
Financial assets at fair value through profit or loss - held for trading	14,000	19,200	14,000	19,200
Available-for-sale financial assets	0	0	0	0
Held-to-maturity investments	72,813	66,197	72,813	66,197
<b>Total</b>	<b>98,053</b>	<b>96,083</b>	<b>98,053</b>	<b>96,083</b>
<b>Financial liabilities</b>				
Payables	7,062	6,538	7,062	6,538
Borrowings	22,997	21,734	19,835	18,554
<b>Total</b>	<b>30,059</b>	<b>28,272</b>	<b>26,897</b>	<b>25,092</b>

Refer to Note 27 for fair value information.

## (a) Cash and cash equivalents, financial assets at fair value through profit and loss, available-for-sale financial assets, held-to-maturity investments

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* and the Minister's Order. The policy is regularly reviewed by Council and a monthly investment report provided to Council 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 the 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.

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

	30/6/2014 \$,000	30/6/2013 \$,000
Impact of a 10% <sup>(1)</sup> movement in price of investments		
- equity <sup>(2)</sup>	1,400	1,920
- income statement <sup>(2)</sup>	1,400	1,920
Impact of a 1% <sup>(1)</sup> movement in interest rates on cash and investments		
- equity	758	684
- income statement	758	684

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible market movements (price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents, managed funds and FRNS).

<sup>(2)</sup> Maximum impact

#### (b) Receivables

Council's major receivables comprise rates and annual charges and user charges and fees. The major risk associated with these receivables is credit risk - the risk that the debts may not be repaid. Council manages this risk 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, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. Council also makes suitable provision for doubtful receivables as required.

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

	30/6/2014	30/6/2013
Percentage of rates and annual charges:		
- current	0%	0%
- overdue	100%	100%
Analysis of overdue debts	\$,000	\$,000
0-30 days	0	0
30-60 days	0	0
60-90 days	0	0
90 days + overdue	3,369	3,619
Percentage of other receivables:		
- current	76%	85%
- overdue	24%	15%
Analysis of overdue debts	\$,000	\$,000
0-30 days	4,212	4,669
30-60 days	1,069	390
60-90 days	27	40
90 days + overdue	205	365

## note 15 - financial instruments cont.

### (c) Payables and borrowings

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 cashflow 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 cashflows of Council's payables and borrowings are set out in the maturity table below:

<b>2014</b>					
<b>\$,000</b>					
	<b>≤ 1 year</b>	<b>&gt; 1 year ≤ 5 years</b>	<b>&gt; 5 years</b>	<b>Total contractual cashflows</b>	<b>Carrying Values</b>
	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>
Payables	7,062	0	0	7,062	7,062
Borrowings	4,714	17,921	5,255	27,890	22,997
	11,776	17,921	5,255	34,952	30,059

<b>2013</b>					
<b>\$,000</b>					
	<b>≤ 1 year</b>	<b>&gt; 1 year ≤ 5 years</b>	<b>&gt; 5 years</b>	<b>Total contractual cashflows</b>	<b>Carrying Values</b>
	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>	<b>\$,000</b>
Payables	6,538	0	0	6,538	6,538
Borrowings	4,749	16,567	4,791	26,107	21,734
	11,287	16,567	4,791	32,645	28,272

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 balance date:

		<b>30/6/2014</b>		<b>30/6/2013</b>	
		<b>weighted average interest rate</b>	<b>balance</b>	<b>weighted average interest rate</b>	<b>balance</b>
		<b>%</b>	<b>\$,000</b>	<b>%</b>	<b>\$,000</b>
Overdraft Bank loans	- fixed	6.67	22,997	6.64	21,534
	- variable <sup>(1)</sup>	0	0	0.21	200
			22,997		21,734

<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 Council on 11 June 2013. The original projections on which the budget was based have been affected by a number of factors. These factors include State and Federal Government decisions including new grant programs, changing economic activity, and by decisions made by Council.

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

### Revenues

#### User charges and fees

Actual user charges and fees received were greater than budgeted by \$1.1m (F) (11%). Variations are detailed below:

- Additional income from sanitary waste disposal \$85k (F)
- Additional leisure centre income (mainly learn to swim fees) \$704k (F)
- Decreased income from child care fees \$563k (U)
- Unanticipated income from ground leases and occupation fees \$712k (F)
- Increase in private works and reinstatements undertaken \$167k (F).

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

Actual amounts of grants and contributions received were greater than budgeted by some \$8.4m (F) (29%).

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 after the original budget was adopted:

- Advance payment of the Financial Assistance Grant was discontinued in the 2013-2014 year, resulting in reduced income for the year \$5.3m (U)
- Additional income from development application fees and certificates as a result of increased activity \$706k (F)
- Capital contributions \$6.5m (F), unbudgeted contributions from developers towards road construction and S94 works
- Childcare operational grants of \$708k (U), income from child care subsidy decreased due to the reduction in occupation rates of centres
- Community Options operational grants \$264k (F), new programs initiated plus additional funds received for existing programs
- Cultural Services grants \$109k (F), additional grant funds received for new programs that were not included in the original budget
- Anticipated funding under the Department of Sport & Recreation program was not received \$151k (U)
- Additional funding under the Roads & Maritime Services grants program was received for the Roads to Recovery, bus route and street lighting programs, as well as developer contributions to road works \$904k (F)
- New grant funds received that were not budgeted \$1.3m (F); Flood studies, Local Infrastructure Renewal Scheme subsidy, Waste Performance Improvement and various MACROC programs
- Dedication of roads and stormwater assets from Housing NSW to Council as part of the redevelopment of Minto release area \$4.5m(F)
- Various other minor variations including; contributions from sporting clubs, and community bodies, storm damage grants, pensioner subsidy and construction of community facilities not budgeted.

#### Other revenues

Other revenues were greater than budgeted by some \$781k (F) (19%). Variations are detailed below:

- Costs recovered from work performed by Council were greater than anticipated in the original budget \$437k (F)
- Investment properties were revalued under fair valuation which has resulted in an increase in value \$588k (F)
- Income from the sale of animals at the Animal Care Facility was greater than anticipated \$57k (F)
- Insurance claims and rebates to the value of \$103k (F), not budgeted
- Additional income from the Festival of Fisher's Ghost carnival and sports stadium catering contracts \$107k (F)
- Land sales from the Minto redevelopment were less than was anticipated in the original budget \$598k (U)
- Various other minor income items not budgeted \$86k (F).

#### Gain on disposal of assets

Council disposed of several items of property, plant and equipment assets, which were not included in the original budget. This resulted in either profits or losses from the asset sales. The net result of \$497k (F) is mainly due to plant and equipment sales made during the year and the sale of a parcel of land held for resale.

# note 16 - material budget variations cont.

## Expenses

### Borrowing costs

Actual borrowing costs were over budget by some \$450k (U) (50%), the main factors being the unfunded entry to unwind the amortisation of the interest free loan received in a prior financial year and additional interest paid on loans that were drawn down earlier than was originally anticipated.

### Depreciation

Actual depreciation generated was under budget by some \$4.6m (F) (18%). The main categories under the budget amount are buildings, roads and bridges, stormwater and other structures. This has resulted from an overestimation of the impact that fair valuation of these categories would have on the amount of depreciation applicable.

In addition to the above-mentioned items, minor favourable and unfavourable variations occurred throughout the year in a number of revenue and expense items. 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 54% (F) is mainly attributable to employee costs being under budget by some (\$4m) due to a number of vacant positions within the organisation coupled with a reduction in employee leave entitlements due to longer term employees leaving the organisation.

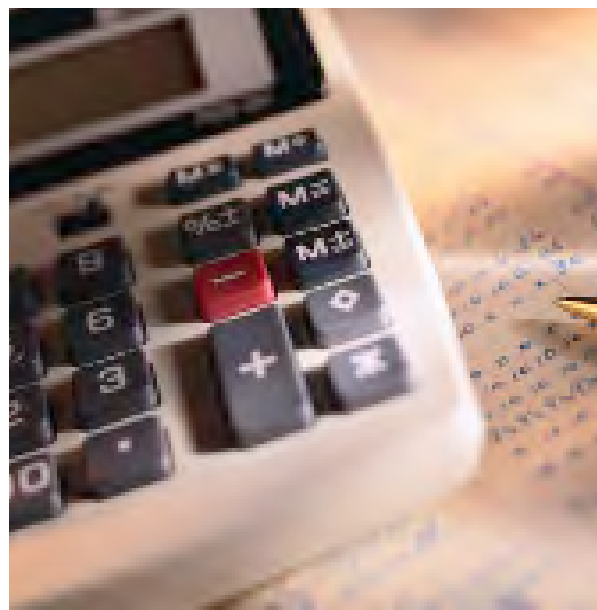
#### Cash Flows from Investing Activities

Variance of 65% (U) is attributable to the purchase of infrastructure, property, plant and equipment being over budget by some \$8.5m due to additional capital works being completed through the utilisation of grant and loan funding.

#### Cash Flows from Financing Activities

Variance of 11% (U) is attributable to entering into a loan earlier than anticipated to facilitate an attractive interest rate.

Aerial view of Campbelltown



# note 17 - statement of contribution plans

## SUMMARY OF CONTRIBUTIONS

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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
Total S94 under plans										
- community facilities	2,510	1,293	5,635	20	1,444	0	2,379	29,610	31,989	0
S94 not under plans	779	5	0	7	3	0	788	0	788	0
Parking	556	157	0	5	0	0	718	5,612	6,330	0
S94A	2,498	1,615	0	27	575	0	3,565	17,747	21,312	0
TOTAL CONTRIBUTIONS	6,343	3,070	5,635	59	2,022	0	7,450	52,969	60,419	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
Community facilities	2	0	0	0	2	0	0	0	0	0
TOTAL CONTRIBUTIONS	2	0	0	0	2	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
Community facilities	274	0	0	2	12	0	264	0	264	0
TOTAL CONTRIBUTIONS	274	0	0	2	12	0	264	0	264	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
Community facilities	148	0	0	2	0	0	150	0	150	0
TOTAL CONTRIBUTIONS	148	0	0	2	0	0	150	0	150	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
		Cash \$,000	Non-cash \$,000							
community facilities	400	0	0	3	85	0	318	0	318	0
TOTAL CONTRIBUTIONS	400	0	0	3	85	0	318	0	318	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
		Cash \$,000	Non-cash \$,000							
Community facilities	141	0	0	1	10	0	132	0	132	0
TOTAL CONTRIBUTIONS	141	0	0	1	10	0	132	0	132	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
		Cash \$,000	Non-cash \$,000							
Community facilities	1,210	64	0	11	0	0	1,285	0	1,285	0
TOTAL CONTRIBUTIONS	1,210	64	0	11	0	0	1,285	0	1,285	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
		Cash \$,000	Non-cash \$,000							
Community facilities	335	1,229	5,635	1	1,335	0	230	29,610	29,840	0
TOTAL CONTRIBUTIONS	335	1,229	5,635	1	1,335	0	230	29,610	29,840	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	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
		Cash \$,000	Non-cash \$,000							
Residual Community Fac	593	0	0	5	3	0	595	0	595	0
Parking	556	157	0	5	0	0	718	5,612	6,330	0
Open space	186	5	0	2	0	0	193	0	193	0
TOTAL CONTRIBUTIONS	1,335	162	0	12	3	0	1,506	5,612	7,118	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 \$,000	Held as restricted asset <sup>(2)</sup> \$,000	Projected future contributions <sup>(3)</sup> \$,000	Projected cost of works still outstanding <sup>(3)</sup> \$,000	Projected over/(under) funding <sup>(3)</sup> \$,000
		Cash \$,000	Non-cash \$,000							
Infrastructure	2,498	1,615	0	27	575	0	3,565	17,747	21,312	0
TOTAL CONTRIBUTIONS	2,498	1,615	0	27	575	0	3,565	17,747	21,312	0
(1) Reconcilable with Note 3										
(2) Reconcilable with Note 6 (restricted assets excludes 'amounts expended in advance')										
(3) Provision of projections do not include S94A levies, planning agreements and Section 64										
(4) Borrowing within and between plans - Note: general fund expenditure in advance of contributions is not to be shown here										



Drain sticker project



Farrow Road, Campbelltown



## 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 and 2013-2014, Council entered into loan agreements where 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

The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan because the assets to the Scheme are pooled together for all employers.

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 2014 was \$1.3m. The Actuary has estimated that as at 30 June 2014 a deficit still exists.

Effective from 1 July 2014, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$564k.

#### 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 joint ventures

Campbelltown City Council has no joint venture interests.



## note 20 - revaluation reserves and retained earnings

	notes	2014 \$,000	2013 \$,000
<b>(a) Retained earnings</b>			
Movements in retained earnings were as follows:			
At beginning of year		694,795	598,057
Adjustment to correct prior period errors	20(d)	0	98,403
Net operating result for the year		10,566	(1,665)
At end of year		705,361	694,795

### (b) Revaluation reserves

Infrastructure, property, plant and equipment revaluation reserve		1,220,786	1,221,556
		1,220,786	1,221,556

#### Movements:

Property, plant and equipment revaluation reserve			
At beginning of year		1,221,556	1,210,971
Revaluations	9,14	2,075	18,248
Reclassifications		0	(4,879)
Adjustment to correct prior period errors		0	0
Disposal of previously revalued assets		(2,845)	(2,784)
At end of year		1,220,786	1,221,556

### (c) Nature and purposes of reserves

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

The infrastructure, property, plant and equipment revaluation reserve is used to records 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 <sup>3</sup>

Property, plant and equipment not previously recognised	0 <sup>3</sup>	(4,000) <sup>1</sup>
Adjustment to correct prior period errors	0 <sup>1</sup>	(25,299) <sup>1</sup>
Land improvements previously under valued	0 <sup>3</sup>	0
Depreciation understated on buildings	0 <sup>2</sup>	(77,848) <sup>1</sup>
Depreciation overstated on previously revalued assets	0 <sup>2</sup>	0
Depreciation overstated on assets revalued in current reporting period	0 <sup>3</sup>	0
Adjustment to retained earnings	0	(107,147)

#### Notes

1 Adjusted to retained earnings.

2 Adjusted to asset revaluation reserve.

3 Corrections have been made against the current year balances of IPPE, retained earnings and revaluation reserves because it was found to be too impractical to restate prior year comparatives.

## note 21 - results by fund

Campbelltown City Council does not hold water and sewer funds.

## note 22 - 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 claims experience and outstanding liability as at 30 June 2014. David G Hart Consulting Pty Ltd conducted the assessment and the findings are as follows:

Summary of Claims					
Accounting year ending 30/6	Number of claims		Claim payments to date	Estimated outstanding	Estimated incurred
	Reported to date	Outstanding			
2014	64	15	272	190	462

Using “discounted” values, the recommended minimum amount that Council should have as a provision in its accounts is \$2,050,000 as at the balance sheet date of 30 June 2014 (2013 - \$2,180,000). This amount has been recognised in Note 10a.

A security deposit is held with NSW Treasury Corporation representing the amount required by the WorkCover Authority to be held as a bond. This amount is \$2,150,000 plus a 50% contingency margin totalling \$3,230,000 (2013 - \$3,340,000).

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

Current	\$500,000
Non-current	\$1,550,000
Total	<u>\$2,050,000</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 \$3,230,000.

## note 27 - fair value measurement

Council measures the following assets and liabilities as 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.

2014	Note	Valuation technique	Level 2 (\$) significant observable inputs	Level 3 (\$) Significant unobservable inputs	Total (\$)
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
- at fair value through profit and loss	6	Market	14,000	0	14,000
<b>Financial liabilities</b>					
Borrowings	15	Market	19,835	0	19,835
<b>Investment Properties</b>	14				
Land		Market	11,712	0	11,712
Buildings		Market	0	3,397	3,397
<b>Infrastructure, Property, Plant and Equipment</b>					
Land	9				
- Operational		Cost	490,891	0	490,891
- Community		Cost	0	270,568	270,568
- Land under roads		Cost	82,998	0	82,998
- Improvements		Cost	0	62,885	62,885
Buildings	9				
- Specialised		Cost	0	206,675	206,675
- New		Cost	6,217	0	6,217
Buildings: Other structures	9	Cost	0	24,531	24,531
Infrastructure	9				
- Roads		Cost	0	435,708	435,708
- Footpaths		Cost	0	32,112	32,112
- Bridges		Cost	0	25,140	25,140
Infrastructure - stormwater	9	Cost	0	204,350	204,350
Other assets	9	Cost	0	5,898	5,898
<b>Total</b>			<b>625,653</b>	<b>1,271,264</b>	<b>1,896,917</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 unpredictability of financial markets. The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

#### 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 assets 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 has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (Level 2 input), other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgements and impacted significantly on the final determination of fair value. As such, these assets were all classified as having been valued using Level 3 valuation inputs.

#### Buildings 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 by 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 etc.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. While some elements of gross replacement values could be supported from market evidence (Level 2 input), other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgements and impacted significantly on the final determination of fair value. As such, these assets were all classified as having been valued using Level 3 valuation inputs.

## **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 carriageways 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 estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets, there is some uncertainty regarding the actual design, specifications and dimensions of some assets. As such, these assets were classified as having been valued using Level 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. Such as, 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.

### **Other Assets**

Valuation of Council's other assets were 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	
	2014 \$,000	Prior year \$,000
Balance at 1 July	1,179,616	
<b>Total gains or losses for the period</b>		
Recognised in profit or loss - Realised (Note 5)	0	
Recognised in profit or loss - Unrealised (Note 3 and 4)	0	
Recognised in other comprehensive income - revaluation surplus	83,159	
<b>Other movements</b>		
Purchases	29,651	
Sales	2,490	
Depreciation	18,672	
Transfers into level 3	0	
Transfer out of level 3	0	
Balance as at 30 June	1,271,264	

## Unobservable inputs and sensitivities

Level 3 Asset Classes

Asset/liability category	Carrying amount (at fair value)	Key unobservable inputs	Expected range of inputs (%)	Amount of potential impact changes in inputs will affect the fair value
<b>Investment properties (market income approach)</b> Buildings (commercial)	3,397	long term rental yields in potentially volatile market	<ul style="list-style-type: none"> <li>• plus or minus 2.5 to 5%</li> </ul>	changes in rental yields would result in changes to the fair value measurement of plus or minus \$170,810
<b>Infrastructure, property, plant and equipment land</b> Community	270,568	Unimproved capital value (UCV) (price per square metre)	<ul style="list-style-type: none"> <li>• plus or minus 5% (per square metre)</li> </ul>	significant changes in the price per square metre based on the UCV would result in significant changes to fair value measurement
Improvements	62,885	<ul style="list-style-type: none"> <li>• current replacement cost</li> <li>• asset condition</li> <li>• remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>• varies significantly from asset to asset</li> <li>• poor to excellent</li> <li>• 1-93 years</li> </ul>	significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement
<b>Buildings (cost approach)</b> Specialised and new	206,675	relationship between asset consumption rating scale and the level of consumed service potential	<ul style="list-style-type: none"> <li>• plus or minus 2.5 to 5%</li> </ul>	changes in the gross replacement value, asset condition, pattern of consumption would result in changes to the fair value measurement of plus or minus \$5,299,926
<b>Buildings: other structures</b>	24,531	<ul style="list-style-type: none"> <li>• current replacement cost</li> <li>• asset condition</li> <li>• remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>• varies significantly from asset to asset</li> <li>• poor to excellent</li> <li>• 0-99 years</li> </ul>	significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement
<b>Infrastructure (cost approach)</b> Infrastructure: roads	435,708	<ul style="list-style-type: none"> <li>• current replacement cost</li> <li>• asset condition</li> <li>• remaining useful life</li> <li>• residual value</li> </ul>	<ul style="list-style-type: none"> <li>• varies significantly from asset to asset</li> <li>• poor to excellent</li> <li>• 2-100 years</li> <li>• 0%-45%</li> </ul>	significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurements
Infrastructure: bridges	32,112	<ul style="list-style-type: none"> <li>• current replacement cost</li> <li>• asset condition</li> <li>• remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>• varies significantly from asset to asset</li> <li>• poor to excellent</li> <li>• 0-98 years</li> </ul>	significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement
Infrastructure: footpaths	25,140	<ul style="list-style-type: none"> <li>• Gross replacement cost</li> <li>• asset condition</li> <li>• remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>• varies significantly from asset to asset</li> <li>• poor to excellent</li> <li>• 0-75 years</li> </ul>	significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement
Infrastructure: stormwater	204,350	<ul style="list-style-type: none"> <li>• gross replacement cost</li> <li>• asset condition</li> <li>• remaining useful life</li> <li>• residual value</li> </ul>	<ul style="list-style-type: none"> <li>• varies significantly from asset to asset</li> <li>• poor to excellent</li> <li>• 0-100 years</li> <li>• 0%-35%</li> </ul>	significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement
<b>Other assets</b>	5,898	<ul style="list-style-type: none"> <li>• gross replacement cost</li> <li>• asset condition</li> <li>• remaining useful life</li> </ul>	<ul style="list-style-type: none"> <li>• varies significantly from asset to asset</li> <li>• poor to excellent</li> <li>• 0-100 years (or more)</li> </ul>	significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement







## INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF CAMPBELLTOWN CITY COUNCIL

### Report on the Financial Statements

We have audited the accompanying general purpose financial statements of Campbelltown City Council (Council) for the financial year ended 30 June 2014. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

### Council's Responsibility for the Financial Statements

The Council are responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, nor the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly, we express no opinion on them. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

### Independence

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



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

## Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Campbelltown City Council for the year ended 30 June 2014 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

## Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Office 2;
- (b) the Council's financial statements:
  - (i) has been prepared in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) is in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations).
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



**intentus**

291 Stewart Street  
Bathurst  
Dated: 24 September 2014



**LR Smith**  
**Partner**

24 September 2014

The Mayor  
Campbelltown City Council  
PO Box 57  
CAMPBELLTOWN NSW 2560

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – Section 417 (3)  
CAMPBELLTOWN CITY COUNCIL**

We advise having completed our audit of the financial statements of Campbelltown City Council (Council) for the financial year ended 30 June 2014. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Campbelltown City Council for the year ended 30 June 2014. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

**Council's Responsibility for the Financial Report**

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

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

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

The following comments are provided in accordance with Section 415 (3) of the Local Government Act 1993 and Regulation 227 of the Local Government (General) Regulation 2005 to assist in the understanding of the financial statements and our reports.



**Chartered  
Accountants**



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14 Sale Street, Orange NSW 2800  
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Liability limited by a scheme approved under Professional Standards Legislation

## **Review of the Financial Statements**

### **(a) Operating Result**

As disclosed in Council's Income Statement, the year's operations resulted in a surplus from continuing operations after capital amounts of \$10,566,000 (2013 - \$1,665,000 deficit). Some items of note in the Income Statement include:

#### **Revenue**

- The operating deficit from continuing operations **before** capital amounts was \$2,571,000 (2013 – \$6,709,000 deficit).
- Rates and annual charges increased by \$3,097,000 (3.94%) to \$81,726,000 (2013 - \$78,629,000). Ordinary rates rose by 4.81% (\$2,833,000) which is a combination of the approved variation increase for general rates of 3.4% coupled with continued expansion of the rating base arising from development of new residential sub-divisions and strata titles within Council's boundaries.
- Grants and contributions provided for operating purposes fell from \$28,599,000 in 2013 to \$23,759,000 in 2014 (decrease of \$4,800,000). The main contributor to this was a reduction in funds received under the Federal Financial Assistance Grant (FAG) of \$5,413,000. This was due to the timing of payments received by Council under this program as the advance payments received over the last few years have now ceased.

This reduction was partially offset by increases in operating grants and contributions related to other areas of Council's operations.

- Grants and contributions provided for capital purposes increased to \$13,137,000 from \$5,044,000 in 2013 (increase of \$8,093,000).

During the year ended 30 June 2014, Council received \$8,691,000 in non-cash dedications, compared to just \$2,150,000 in the prior year (increase of \$6,541,000).

Non-cash dedications in the 2013-'14 financial year included \$4,119,000 received under the Section 94 Development Contributions Plan – Glenfield Urban Road Release.

A further in-kind contribution of \$4,572,000 was received by Council from the Department of Housing in relation to the redevelopment of Minto.

The dedication received by Council in the 2012-'13 financial year of \$2,150,000 related to the re-development of the One Minto Community Hall.

#### **Expenditure**

- Council's total employee costs for the year rose by \$1,052,000 to \$53,715,000 (2013 - \$52,663,000). Salaries and wages costs increased by just \$709,000 or 1.73%.
- Council obtained an independent valuation of its buildings and operational land at 1 July 2013. This valuation include re-assessing the fair value of Council's buildings and operational land, as well as reviewing and revising the estimated useful live of Council's buildings.

This saw a significant reduction in the annual depreciation expense related to Council's non-specialised buildings. Total depreciation expense fell by \$4,579,000 compared to the prior year, with \$4,390,000 of this attributable to non-specialised buildings.

**(b) Financial Position**

The Statement of Financial Position disclosed that for the year ended 30 June 2014 Council's net assets stood at \$1,926,147,000 (2013 - \$1,916,351,000), which is an increase of \$9,796,000.

This is the combined effect of the operating surplus from continuing operations of \$10,566,000 and a net downward movement of \$770,000 in relation to the valuation of Council's infrastructure, property, plant and equipment. This movement includes adjustments due to current year valuations as well as reviews of estimated useful lives, residual values and costings for some asset categories as a result of more current and relevant information being available to Council as part of its ongoing Asset Management Program.

To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Net current assets	66,691	64,698
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(21,200)	(26,458)
Less: Council internally imposed restrictions (refer Notes 6 & 7 of financial statements)	(58,523)	(52,130)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction - Self Insurance	2,050	2,180
Add: Employee leave entitlements classified as current but not expected to be settled within 12 months	7,438	7,485
Unrestricted net current asset surplus/(deficit)	(3,544)	(4,225)
Unrestricted net current assets comprise:		
<i>Unrestricted Current Assets</i>		
Cash and Investments	10,716	9,731
Receivables	7,614	7,764
Inventories	366	361
Other assets	48	139
Less:	18,744	17,995
<i>Unrestricted Current Liabilities</i>		
Payables	(7,062)	(6,538)
Provisions	(19,036)	(19,443)
Interest Bearing Liabilities	(3,628)	(3,724)
Unrestricted net current asset surplus/(deficit)	(10,982)	(11,710)
Add: Employee leave entitlements classified as current but not expected to be settled within 12 months	7,438	7,485
	(3,544)	(4,225)

Council's net current asset position is highly liquid and the foregoing analysis presents a position that recognises the impact of all Council's restricted funds being committed immediately and simultaneously.

Council's unrestricted net current asset position has improved since the prior year. This is despite Council committing a further \$6,420,000 to its internal restrictions during the current year to ensure that these are adequate to cash fund areas of Council's operations such as employee leave entitlements and also to restrict funds for asset replacement and strategic projects in the future.

Historically and like many other organisations, Council budgets to utilise monies collected in the subsequent year to fund loan repayments due in that year. Similarly Council budgets to fund ordinary levels of employee leave entitlements from the subsequent year's budget.

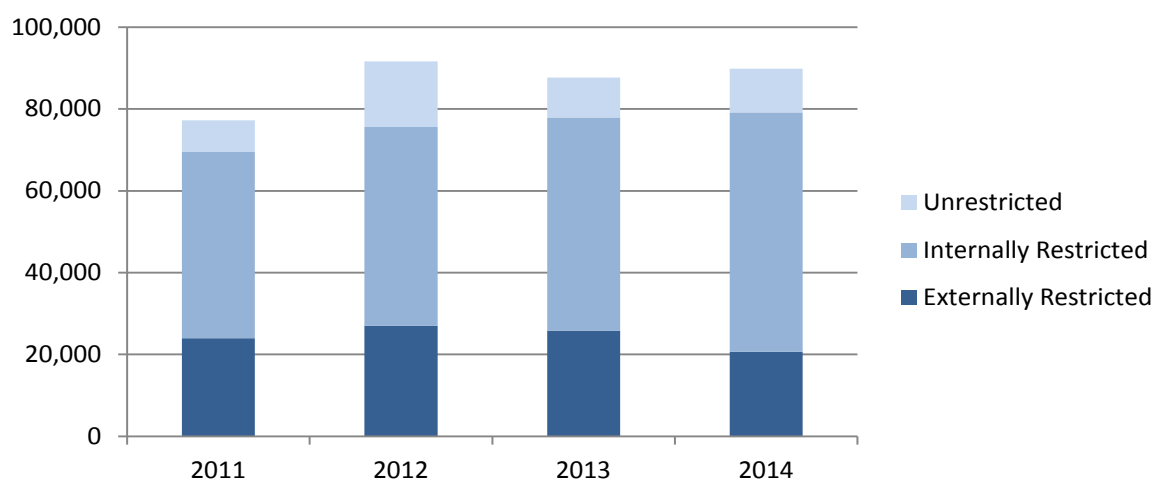
The following table shows the impact of these funding decisions on Council's calculated unrestricted net current asset position:

	2014 \$'000	2013 \$'000
Unrestricted net current asset surplus/(deficit)	(3,544)	(4,225)
Add back amounts to be funded from the following year's operations:		
Provisions	2,875	3,315
Interest Bearing Liabilities	3,628	3,724
Adjusted unrestricted net current asset surplus/(deficit)	2,959	2,814

This adjustment alters Council's calculated position significantly and shows that Council's level of restrictions can be managed in the longer term.

Whilst the analysis of the net current asset position is a succinct review of Council's short-term position, the strength of that position is determined by the liquidity of those assets i.e. the Council's ability to operate effectively is largely governed by the amount of available cash.

## Cash, Cash Equivalents and Investments





## **Liquidity**

Note 6 to the accounts discloses total cash and investments of \$89,839,000 (2013 - \$87,638,000). Of this amount \$20,657,000 (2013 - \$25,861,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$58,446,000 (2013 - \$52,046,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their operational plan.

The unrestricted balance of \$10,716,000 (2013 - \$9,731,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

Council continues to be in a strong financial position to fulfil the objectives attached to its internally restricted funds as part of its long term development plans and at the same time has an unrestricted cash position which is appropriate for its day to day operational requirements.

## **(c) Performance Indicators**

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows:

### **Operating Performance**

This is the first of a number of new performance measures required to be reported for the first time in the 2013-'14 financial year.

This indicator is intended to measure whether Council has contained its operating expenditure within its operating revenue.

The current year result of (2.92%) has been impacted by the significant reduction in receipts under the Federal Financial Assistance Grant due to timing in the payment of funds under this program to Council. If receipts under this program were comparable to the year ended 30 June 2013, this indicator would be more in the vicinity of 1.35%.

### **Own Source Operating Revenue**

This new indicator is intended to measure Council's fiscal flexibility by showing its degree of reliance on external funding sources such as grants and contributions. The higher the ratio, the more financially flexible Council is considered to be.

At 73.3%, Campbelltown City Council's result indicates a degree of financial flexibility which exceeds the benchmark of greater than 60%.

### **Unrestricted Current Ratio**

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates its ability to satisfy obligations out of short-term and immediate asset balances. Council's ratio of 3.44:1 (2013 – 3.17:1) indicates that it is comfortably able to settle its debts as and when they fall due.

### **Debt Service Cover Ratio**

This is a new ratio this year which measures the ability of council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation / impairment, over the principal and interest costs.

At 3.81 times (2013 – 4.43) Campbelltown City Council's ratio indicates that council can comfortably meet its current levels of debt. The reduction in this indicator over the last 12 months is partly due to the increased levels of debt taken on by Council over the last few years to take advantage of the interest subsidies available under the Local Government Infrastructure Renewals Scheme (LIRS).

## Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio

The ratio is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Campbelltown City Council's rates and annual charges outstanding percentage of 4.29% (2013 – 4.82%) indicates effective rates debtor management.

## Cash Expense Cover Ratio

Another new performance measure, the purpose of this ratio is to indicate the number of months a council can continue paying for its immediate expenses without additional cash inflow. The benchmark is greater than three (3) months.

We suspect that this is a ratio that may vary considerably from year-to-year depending on the timing of payments for materials and contract. This is the component in the denominator most susceptible to fluctuation on a yearly basis. Campbelltown City Council's ratio for the year ended 30 June 2014 was 8.21 months (2013 - 7.08 months)

## (d) Statement of Cash Flows

The Statement of Cash Flows reports a net increase in cash assets held of \$785,000 (2013 decrease - \$4,444,000) as follows:

	2014 \$'000	2013 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	22,852	15,268	7,584
Investing activities	(23,155)	(21,204)	(1,951)
Financing activities	1,088	1,492	(404)
Net increase / (decrease) in cash held during the year	785	(4,444)	5,229

## Cash Flows from Operating Activities

The net cash flow provided by operating activities totalled \$22,852,000 (2013 - \$15,268,000). Council has continued to generate a positive cash flow from operating activities.

Total cash inflows from operating activities for the 2013-'14 financial year were \$129,728,000 compared to \$127,820,000 in 2012-'13 (increase of \$1,908,000). Cash inflows from grants and contributions were \$3,936,000 lower than the prior year, primarily due to the timing of receipts under the Federal Financial Assistance Grant. However, this was offset by increased cash flows from other revenue sources.

Total cash outflows from operating activities were \$106,876,000 for the year ended 30 June 2014, compared to \$112,552,000 in the prior year. The 2011-'12 financial year included high levels of year end accruals, for which the cash payments occurred during the 2012-'13 financial year. This contributed to the relatively high level of cash outflows for materials and contracts during the year ended 30 June 2013. As such, the large decrease in this figure between the 2013 and 2014 financial years has been influenced by the timing of cash payments rather than a change in the underlying levels of expenditure.

### **Cash Flows from Investing Activities**

The net cash flow used in investing activities totalled \$23,155,000 (2013 – \$21,204,000). These cash outflows included the net investment in interest earning financial assets of \$1,414,000 (2013 – \$470,000) as well as the net sale and acquisition of assets by Council.

Cash outflows for the purchase of infrastructure, property, plant and equipment totalled \$22,998,000 (2013 – \$23,403,000). Major additions to property, plant and equipment during the year included approximately \$12,238,000 in cash outflows related to additions to Council's roads, bridges and footpaths.

Council also spent \$2,047,000 on additions to its portfolio of investment properties, including the purchase of land and buildings in Browne Street, Campbelltown.

Cash inflows from investing activities included \$2,500,000 from the sale of real estate assets and \$856,000 from the sale of infrastructure, property, plant and equipment.

### **Cash Flows from Financing Activities**

The net cash inflows provided by financing activities was \$1,088,000,000 compared to net cash outflows in 2013 of \$1,492,000. Funds of \$5,000,000 (2013 – \$5,000,000) were borrowed during the year. These borrowings were made in conjunction with the NSW Local Government Infrastructure Renewals Scheme (LIRS) which provides Councils with an interest rate subsidy on external borrowings to assist in addressing infrastructure backlogs.

### **(e) Comparison of Actual and Budgeted Performance**

Council's change in net assets from operations for the year was a surplus of \$10,566,000 compared to a budgeted deficit of \$11,476,000.

The nature of this report does not lend itself to detailed analysis of individual budget variations. Council has provided a commentary on these variations in Note 16.

It should be noted that Council received two (2) major unbudgeted in-kind non-cash contributions during the year which totalled \$8,691,000.

In addition, the reduction in Council's depreciation expense arising from the revaluation of its buildings at 1 July 2013 was not known at the time the original budget was finalised. Council's depreciation expense for the year ended 30 June 2014 was \$4,630,000 less than originally budgeted.

### **(f) Other Matters**

#### **National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Campbelltown City Council has prepared a special purpose financial report on its business units for the year ended 30 June 2014. Council has determined that it has three (3) business units within its operations: Child Care Centres, Indoor Recreation Centres and Commercial Centres.

The Department of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of 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, rate of return on investments in business units and dividends paid.

An unqualified audit report on the special purpose financial reports for the year ended 30 June 2014 has been issued.

## Management Letters

Interim management letters were issued on 14 April 2014 and 10 July 2014. Matters raised via management letters have been satisfactorily addressed.

A final report will be prepared upon completion of our year end review.

## (g) Legislative Compliance

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial reports that have come to our attention during the conduct of the audit and that Campbelltown City Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

## (h) Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Campbelltown City Council for the year ended 30 June 2014 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on Council's web site.

## Conclusion

- (a) Campbelltown City Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of these statements;
- (b) Campbelltown City Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of these statements; and
- (c) all information relevant to the conduct of the audit has been obtained.



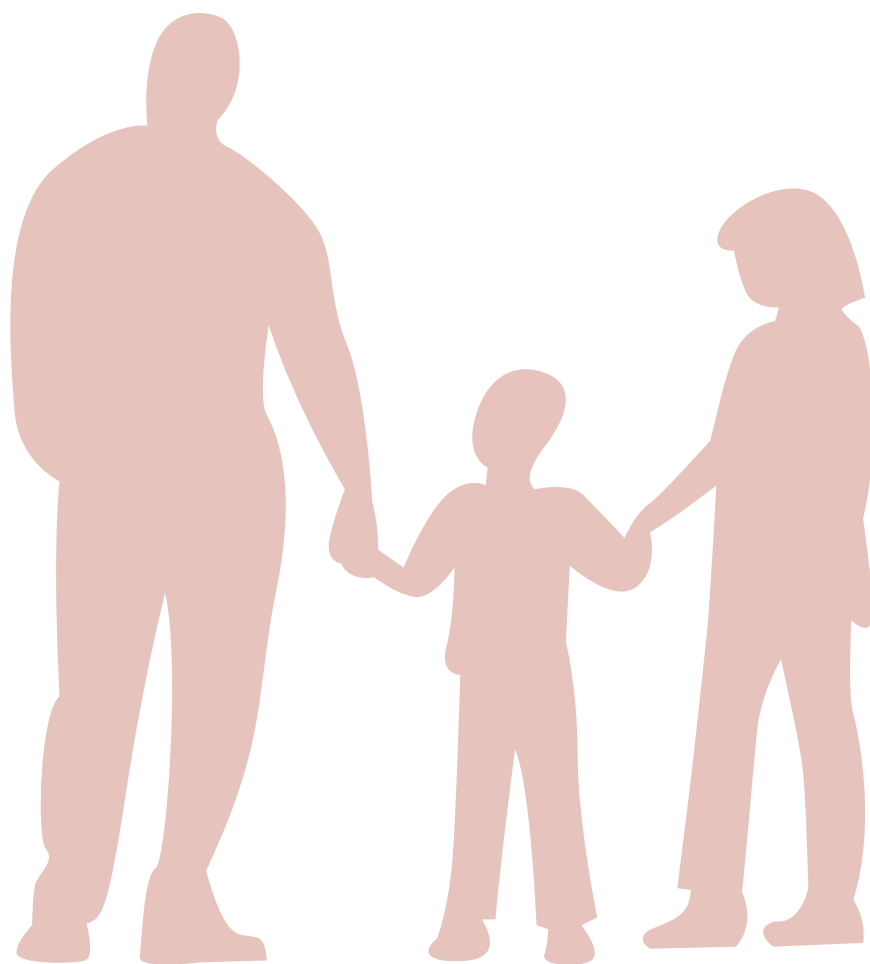
**intentus**

291 Stewart Street  
Bathurst  
Dated: 24 September 2014



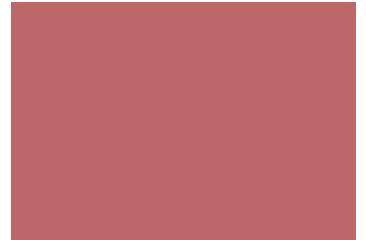
**LR Smith**  
**Partner**







## special purpose financial reports for the year ended 30 june 2014





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## Special purpose financial reports for the year ended 30 June 2014

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

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

- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*.
- Department 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, this report:

- Presents fairly the operating result and financial position for each of Council's declared business activities for the year, and
- Accords 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 29 July 2014.



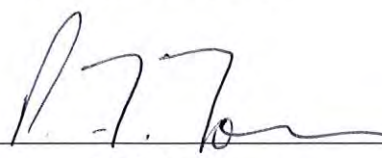
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Cllr P Lake  
MAYOR  
30 September 2014



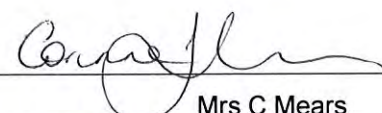
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Cllr C Mead  
COUNCILLOR  
30 September 2014



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Mr P Tosi  
GENERAL MANAGER  
30 September 2014



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Mrs C Mears  
RESPONSIBLE ACCOUNTING OFFICER  
30 September 2014

# income statement of business activities for the year ended 30 june 2014

## Business activity and category

	Business activities					
	Actual 2014 Child care centres (Cat 1) \$,000	Actual 2013 Child care centres (Cat 1) \$,000	Actual 2014 Indoor rec centres (Cat 1) \$,000	Actual 2013 Indoor rec centres (Cat 1) \$,000	Actual 2014 Commercial centres (Cat 2) \$,000	Actual 2013 Commercial centres (Cat 2) \$,000
<b>Revenue from continuing operations</b>						
User charges and fees	1,739	1,585	2,882	2,531	1,478	1,421
Interest	0	0	0	0	39	46
Grants & Contributions provided for non capital purposes	2,653	2,639	25	1	0	0
Other operating revenues	0	2	277	274	0	0
<b>Total revenue from continuing operations</b>	<b>4,392</b>	<b>4,226</b>	<b>3,184</b>	<b>2,806</b>	<b>1,517</b>	<b>1,467</b>
<b>Expenses from continuing operations</b>						
Employee benefits and on-costs	4,308	4,437	2,820	2,649	207	202
Materials and contracts	257	292	906	694	70	31
Interest charges	72	110	157	205	0	0
Depreciation and impairment	100	273	814	1,361	0	21
Calculated tax equivalents	261	250	332	307	159	147
Debt guarantee fees	0	0	0	0	0	0
Other operating expenses	1,105	1,127	2,071	1,750	146	141
<b>Total expenses from continuing operations</b>	<b>6,103</b>	<b>6,489</b>	<b>7,100</b>	<b>6,966</b>	<b>582</b>	<b>542</b>
<b>Surplus/(deficit) from continuing operations before capital amounts</b>	<b>(1,711)</b>	<b>(2,263)</b>	<b>(3,916)</b>	<b>(4,160)</b>	<b>935</b>	<b>925</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>(1,711)</b>	<b>(2,263)</b>	<b>(3,916)</b>	<b>(4,160)</b>	<b>935</b>	<b>925</b>
<b>SURPLUS/(DEFICIT) FROM ALL OPERATIONS BEFORE TAX</b>	<b>(1,711)</b>	<b>(2,263)</b>	<b>(3,916)</b>	<b>(4,160)</b>	<b>935</b>	<b>925</b>
Corporate taxation equivalent (30%)					302	293
<b>SURPLUS/(DEFICIT) AFTER TAX</b>	<b>(1,711)</b>	<b>(2,263)</b>	<b>(3,916)</b>	<b>(4,160)</b>	<b>633</b>	<b>632</b>
Dividend payment [6.235% of CNA after tax]		0	0	0	25	42
<b>CHANGE IN NET ASSETS After Dividend</b>	<b>(1,711)</b>	<b>(2,263)</b>	<b>(3,916)</b>	<b>(4,160)</b>	<b>608</b>	<b>590</b>
<b>Opening retained profits</b>	<b>(7,733)</b>	<b>(6,235)</b>	<b>(24,017)</b>	<b>(20,684)</b>	<b>17,070</b>	<b>15,960</b>
Adjustments for centre closure			1,601			
Adjustments for amounts unpaid						
* Taxation equivalents payments	261	250	332	307	159	147
* Corporate taxation equivalents	0	0	0	0	302	293
* Dividend payments	0	0	0	0	25	42
* Corporate overheads	475	515	536	520	41	38
<b>Closing retained profits</b>	<b>(8,708)</b>	<b>(7,733)</b>	<b>(25,464)</b>	<b>(24,017)</b>	<b>18,205</b>	<b>17,070</b>
<b>Return on capital (%)</b>	<b>-17.38%</b>	<b>-32.93%</b>	<b>-8.16%</b>	<b>-11.51%</b>	<b>6.67%</b>	<b>6.99%</b>
<b>SUBSIDY FROM COUNCIL</b>	<b>1,711</b>	<b>2,263</b>	<b>3,916</b>	<b>4,160</b>	<b>Nil</b>	<b>Nil</b>

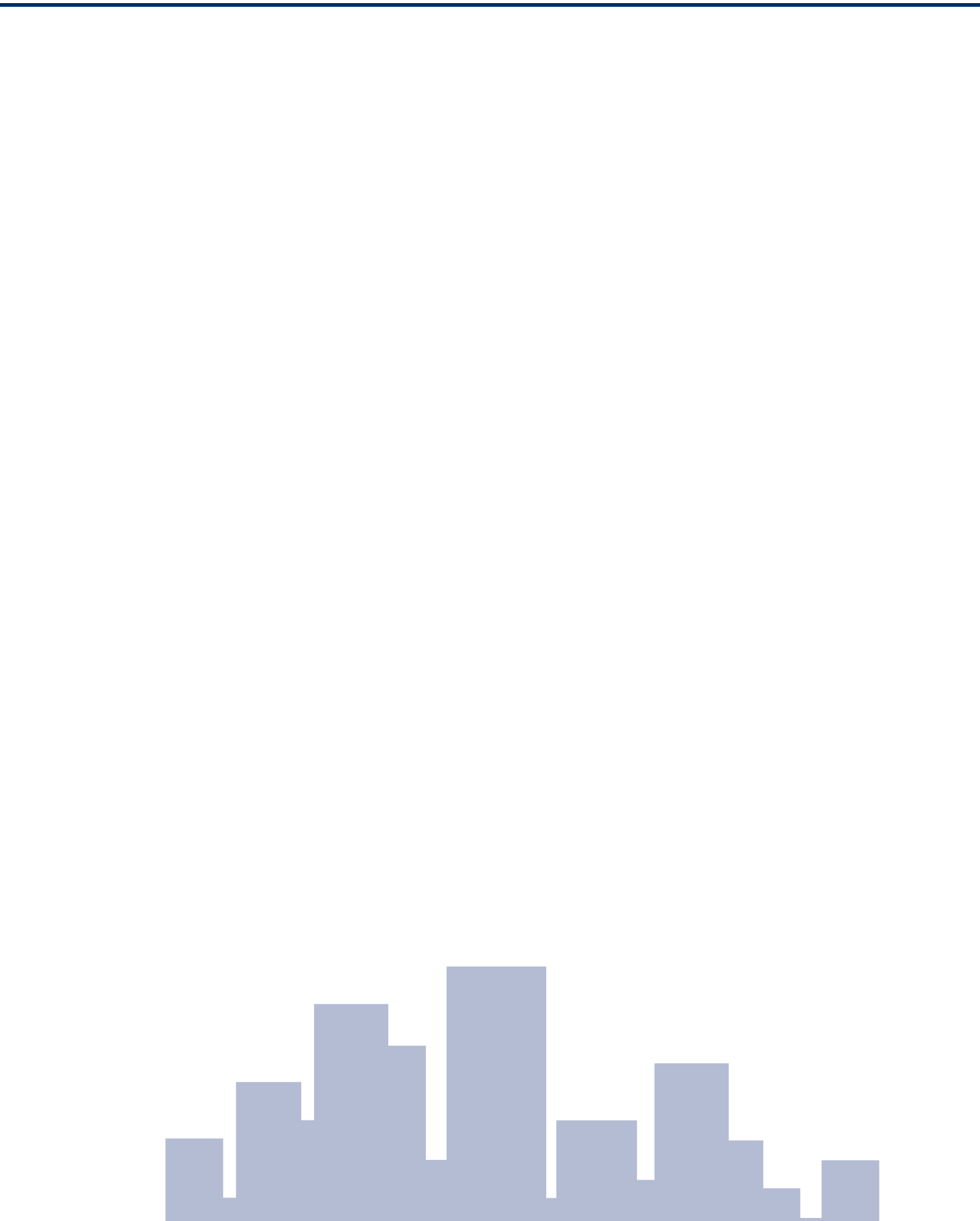
To be read in conjunction with the Notes to the Financial Statements.

# statement of financial position of business activities as at 30 june 2014

## Business activity and category

Business Activities					
Actual 2014 Child care centres (Cat 1) \$,000	Actual 2013 Child care centres (Cat 1) \$,000	Actual 2014 Indoor rec centres (Cat 1) \$,000	Actual 2013 Indoor rec centres (Cat 1) \$,000	Actual 2014 Commercial centres (Cat 2) \$,000	Actual 2013 Commercial centres (Cat 2) \$,000
<b>Current Assets</b>					
Receivables	19	23	23	61	67
Inventories	0	0	0	0	0
Other - due by general fund	0	0	0	4,117	3,773
<b>Total current assets</b>	19	23	23	4,178	3,840
<b>Non-current assets</b>					
Infrastructure, property, plant & equipment	9,843	6,872	48,009	14,027	13,230
<b>Total non-current assets</b>	9,843	6,872	48,009	14,027	13,230
<b>TOTAL ASSETS</b>	9,862	6,895	48,032	18,205	17,070
<b>Current liabilities</b>					
Other - due to general fund	(18,570)	(14,628)	(73,496)	0	0
<b>Total current liabilities</b>	(18,570)	(14,628)	(73,496)	0	0
<b>Non-current liabilities</b>					
Borrowings	0	0	0	0	0
<b>Total non-current liabilities</b>	0	0	0	0	0
<b>TOTAL LIABILITIES</b>	(18,570)	(14,628)	(73,496)	0	0
<b>NET ASSETS</b>	(8,708)	(7,733)	(25,464)	18,205	17,070
<b>EQUITY</b>					
Retained earnings	(8,708)	(7,733)	(25,464)	18,205	17,070
<b>TOTAL EQUITY</b>	(8,708)	(7,733)	(25,464)	18,205	17,070

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 2014



# 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 the Office of Local Government. For the purposes of these statements, Council is a non reporting not for profit entity.

The figures presented in these SPFS have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretations. The disclosures in these SPFS have been prepared in accordance with the *Local Government Act* 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	Provisions of child care. Council runs nine 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 Council as the owner of business operations, it represents an internal payment and has no effect on the operations of Council.

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

### Local government rates and charges

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

### Loan and debt guarantee fees

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

### (ii) Subsidies

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

### (iii) Return on investments (rate of return)

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

### (iv) Dividends

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

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



## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF CAMPBELLTOWN CITY COUNCIL

### Report on the Financial Statements

We have audited the special purpose financial statements of Campbelltown City Council (Council) for the year ended 30 June 2014, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

### Council's Responsibility for the Financial Statements

The Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

### Independence

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



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

### **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the special purpose financial statements of Campbelltown City Council for the year ended 30 June 2014 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### **Audit Opinion**

In our opinion, the special purpose financial statements of Campbelltown City Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.

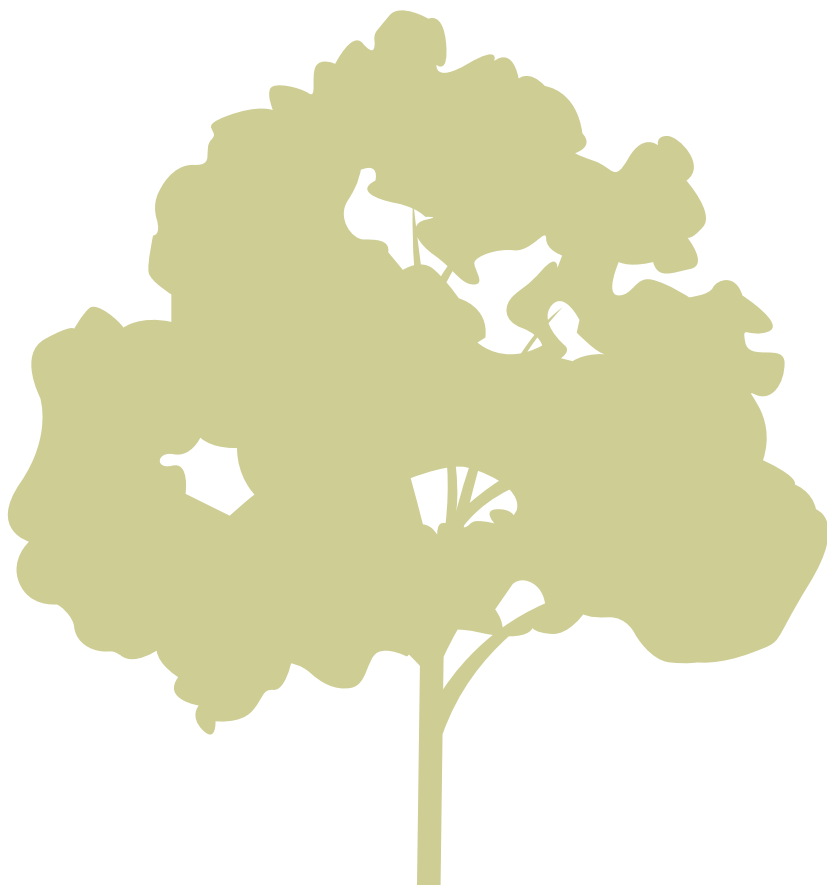


**intentus**

291 Stewart Street  
Bathurst  
Dated: 24 September 2014



**LR Smith**  
**Partner**



## special schedules for the year ended 30 june 2014



Special schedules (not audited)

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# special schedule 1 - net cost of services for the year ending 30 june 2014

Function or Activity	INCOME 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	0	0	0	634	634	(634)	(634)
<b>ADMINISTRATION</b>							
Corporate Support	2,008	0		17,099		(15,091)	
Engineering and Works	190	0		3,909		(3,719)	
Other Support Services	92	0	2,291	745	21,753	(653)	(19,463)
<b>PUBLIC ORDER &amp; SAFETY</b>							
Statutory Contributions to Fire Safety Levy	0	0		903		(903)	
Fire Protection	345	0		766		(421)	
Animal Control	529	0		949		(420)	
Enforcement of Local Govt Regulations	10	0		666		(656)	
Emergency Services	35	0		767		(732)	
Other	13	0	931	2	4,055	11	(3,123)
<b>HEALTH</b>							
Administration and inspection	465	0		1,992		(1,527)	
Immunisations	17	0		40		(23)	
Health Centres	4	0		72		(68)	
Other	41	0	527	82	2,186	(41)	(1,659)
<b>ENVIRONMENT</b>							
Noxious Plants	60	0		117		(57)	
Other Environmental Protection	56	0		1,380		(1,324)	
Solid Waste Management	16,464	0		15,615		849	
Street Cleaning	2	0		2,303		(2,301)	
Drainage	90	0		3,510		(3,420)	
Stormwater Management	984	0	17,656	448	23,373	536	(5,718)
<b>COMMUNITY SERVICES &amp; EDUCATION</b>							
Administration	44	0		905		(861)	
Family Day Care	2,944	0		3,466		(522)	
Child Care	5,480	0		8,009		(2,529)	
Youth Services	72	0		324		(252)	
Other Families & Children	1	0		44		(43)	
Aged and Disabled	2,676	0		2,681		(5)	
Migrant Services	0	0		24		(24)	
Aboriginal Services	0	0		113		(113)	
Other Community Services	9	0	11,226	75	15,641	(66)	(4,415)
<b>HOUSING &amp; COMMUNITY AMENITIES</b>							
Housing	31	0		228		(197)	
Street Lighting	243	0		3,473		(3,230)	
Town Planning	873	6,970		2,241		5,602	
Public Conveniences	0	0		46		(46)	
Other Community Amenities	42	42	8,200	1,504	7,492	(1,420)	709



**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	649	0		5,576		(4,927)	
Art Galleries	790	0		2,639		(1,849)	
Museums	0	0		0		0	
Community Centres	234	0		871		(637)	
Public Halls	229	0		891		(662)	
Other Cultural Services	122	0		1,243		(1,121)	
Swimming Pools	1,799	0		3,764		(1,965)	
Sporting Grounds	645	105		3,913		(3,163)	
Parks and Gardens	207	0		9,884		(9,677)	
Other Sport and Recreation	1,601	0		3,141		(1,540)	
			6,381		31,922		(25,541)

**MINING, MANUFACTURING & CONSTRUCTIONS**

Building Control	2,475	0		2,291		184	
Other	0	0		0		0	
			2,475		2,291		184

**TRANSPORT & COMMUNICATION**

Urban Roads: Local	2,580	1,443		11,287		(7,264)	
Urban Roads: Regional	730	0		1,068		(338)	
Rural Roads: Regional	0	0		77		(77)	
Rural Roads: Local	0	0		405		(405)	
Bridges on Urban Roads: Local	0	0		817		(817)	
Footpaths	261	0		1,215		(954)	
Parking Areas	657	0		504		153	
Bus Shelters and Services	0	0		561		(561)	
Other	0	0		0		0	
			5,671		15,934		(10,263)

**ECONOMIC AFFAIRS**

Tourism and Area Promotion	245	0		1,856		(1,611)	
Industrial Development Promotion	0	0		0		0	
Other Business Undertakings	4,191	4,576		1,561		7,206	
			9,011		3,417		5,595

**TOTALS - FUNCTIONS**
**GENERAL PURPOSE INCOME <sup>(1)</sup>**

	74,893		74,893	0	0		74,893
<b>SURPLUS/(DEFICIT) FROM ALL ACTIVITIES <sup>(2)</sup></b>			139,264		128,698		10,566

**NOTES**

1 - General Purpose Income consist of:

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

2 - As reported on the Income Statement

Unaudited

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

as at 30 june 2014

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 the end of year		
	current \$,000	non-current \$,000	total \$,000		from revenue \$,000	Adjusts <sup>1</sup> \$,000		current \$,000	non-current \$,000	total \$,000
LOANS (by source)										
Financial institutions	3,720	18,708	22,428	5,000	3,912	0	1,173	3,628	19,893	23,521
Other - super board	4	0	4	0	0	0	0	0	0	0
TOTAL LOANS	3,724	18,708	22,432	5,000	3,912	0	1,173	3,628	19,893	23,521
TOTAL LONG-TERM DEBT	3,724	18,708	22,432	5,000	3,912	0	1,173	3,628	19,893	23,521

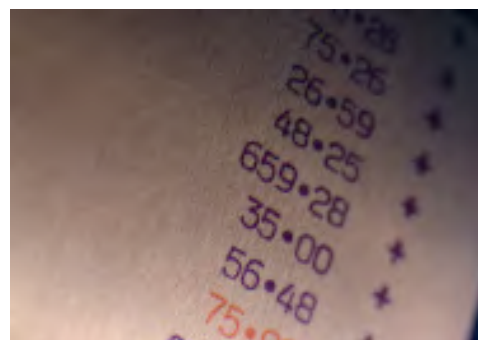
(1) Represents prior year loan repayment reversal

(2) Non current principal outstanding is exclusive of unwinding of discounts (\$524)

unaudited



Amarina Early Learning Centre  
'Excellent' rating



Library Magic class

Asset Class	Asset category (as determined by Council)	Estimated cost to bring to a satisfac- tory standard \$ ,000	Required annual maintenance \$ ,000	2013-2014 actual main- tenance \$ ,000	Assets in condition as a % of WDV				
					1	2	3	4	5
Public buildings	Building envelope	3,608	1,587	1,580	4.89	63.04	23.67	6.15	2.25
	Building roof	1,757	818	91	3.63	52.47	28.03	11.27	4.60
	Building floor	1,343	543	16	40.78	44.07	10.23	3.82	1.10
	Building fit out	899	648	249	48.79	29.60	12.05	6.94	2.62
	Building services (fire, mechanical and other)	1,268	688	447	81.71	10.34	7.81	0.14	0.00
	Sub total	8,875	4,284	2,383					
Public spaces	Other structures with play equipment	1,436	950	934	22.44	50.53	25.62	0.78	0.63
	Sub total	1,436	950	934					
Public roads	Roads surfacing	9,320	4,327	5,659	39.29	34.55	14.93	10.81	0.42
	Roads pavements	7,612	3,895	1,998	0.13	34.35	60.32	5.08	0.12
	Bridges and culverts	1,053	435	313	4.26	92.45	1.73	1.56	0.00
	Footpaths cycle ways	2,016	405	756	15.35	70.02	10.15	2.00	2.48
	Kerb and gutter and traffic islands	2,067	688	379	22.76	74.23	2.12	0.64	0.25
	Traffic management devices	0	47	6	66.96	32.06	0.98	0.00	0.00
	Road furniture	0	229	570	1.00	82.09	16.91	0.00	0.00
	Car parks surfacing	799	268	297	1.33	50.67	32.68	15.31	0.01
	Car parks pavements	295	109	42	0.45	63.75	32.73	3.07	0.00
	Other infrastructures	0	183	13	9.75	58.46	31.79	0.00	0.00
	Sub total	23,162	10,586	10,033					
Drainage works	Detention basins - structures	0	117	0	2.00	23.00	75.00	0.00	0.00
	Stormwater conduits	0	0	0	26.00	74.00	0.00	0.00	0.00
	Stormwater pits and headwalls	200	145	60	17.00	78.00	4.00	1.00	0.00
	Open channels	0	125	523	7.00	89.00	4.00	0.00	0.00
	Water quality devices	80	36	0	57.00	38.00	3.00	2.00	0.00
	Sub total	280	423	583					
Totals classes	Total Assets	33,753	16,243	13,933					

#### Infrastructure assets condition assessment

Level	Condition	Description
1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance required
3	Average	Maintenance work required
4	Poor	Renewal 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 are not classified as infrastructure assets for the purposes of Special Schedule 7.

## Infrastructure Asset Performance Indicators

	Amounts \$,000	Current Year Indicators	2013	2012
<b>Building and infrastructure renewals ratio</b>				
Asset renewals	10,991			
Depreciation, amortisation and impairment	18,398	59.74%	48.38%	35.75%
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	33,753			
Total WDV	934,736	3.61%	3.47%	3.13%
Shows what proportion the infrastructure backlog is against the total value of Council's infrastructure				
<b>Asset maintenance ratio</b>				
Actual asset maintenance	13,933			
Required asset maintenance	16,243	0.86:1	0.80:1	0.59:1
Compares actual versus required annual asset maintenance				
<b>Capital expenditure ratio</b>				
Annual capital expenditure	24,088			
Annual depreciation	18,399	1.31:1	0.78:1	0.61:1
Indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets as well as the replacement and renewal of existing assets				



Koshigaya Park



# special schedule 8 - financial projections

	2014 <sup>(1)</sup>	2015 <sup>(3)</sup>	2016 <sup>(3)</sup>	2017 <sup>(3)</sup>	2018 <sup>(3)</sup>	2019 <sup>(3)</sup>	2020 <sup>(3)</sup>	2021 <sup>(3)</sup>	2022 <sup>(3)</sup>	2023 <sup>(3)</sup>	2024 <sup>(3)</sup>
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
<b>Recurrent budget</b>											
Revenue from continuing operations	128,725	128,724	132,010	137,397	141,316	146,541	151,985	157,662	163,584	169,757	176,197
Expenses from continuing operations	140,201	139,007	143,807	148,981	154,932	159,811	165,655	171,694	178,889	184,901	191,866
Operating result from continuing operations	(11,476)	(10,283)	(11,797)	(11,584)	(13,616)	(13,270)	(13,670)	(14,032)	(15,305)	(15,144)	(15,669)
<b>Capital budget</b>											
New capital works <sup>(2)</sup>	0	0	0	0	0	0	0	0	0	0	0

<sup>(1)</sup> From Income Statement.

<sup>(2)</sup> New capital works are major non-recurrent projects, eg new leisure centre, new library or new swimming pool etc.

<sup>(3)</sup> Financial projections are in accordance with Council's Integrated Planning and Reporting framework.

# special schedule 9 - permissible income for general rates as at 30 june 2014

	2013-2014 calculation \$,000	2014-2015 calculation \$,000
<b>Notional general income calculation <sup>(1)</sup></b>		
Last year notional income yield	64,339	67,225
plus adjustments <sup>(2)</sup>	582	670
<b>notional general income</b>	<b>64,921</b>	<b>67,895</b>
<b>Permissible income calculation</b>		
Special variation	0%	11.00%
or rate peg	3.40%	2.30%
or crown land adjustment incl rate peg	0%	0%
Less expiring special variations amount	0	0
Plus special variation amount	0	7,468
or plus rate peg amount	2,207	0
or plus crown land adjustment and rate peg amount	0	0
<b>sub total</b>	<b>67,128</b>	<b>75,363</b>
Plus or minus last year's carry forward total	0	(4)
Less valuation objections claimed in previous year	0	(93)
<b>sub total</b>	<b>0</b>	<b>(97)</b>
<b>Total permissible income</b>	<b>67,128</b>	<b>75,266</b>
less notional income yield	(67,225)	(75,403)
catch up or (excess) result	(97)	(137)
plus income lost due to valuation objections claimed <sup>(4)</sup>	93	34
less unused catch up <sup>(5)</sup>	0	0
<b>carried forward to next year</b>	<b>(4)</b>	<b>(103)</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 include 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 objectives 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.





## AUDITOR'S REPORT PERMISSIBLE GENERAL INCOME (SPECIAL SCHEDULE No.9) OF CAMPBELLTOWN CITY COUNCIL

### Scope

We have audited the special purpose financial report comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Campbelltown City Council for the 2014-'15 financial year.

### Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Auditor

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

### Audit Opinion

In our opinion, the reconciliation of Council's total permissible general income (Special Schedule 9) which shows a carry forward excess total for 2014-'15 of **one hundred and thirty five thousand, eight hundred and ninety five dollars (\$135,895)** is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)



### **Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to the fact that Special Schedule 9 - the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the financial report may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the financial report was prepared.

The logo for intentus, featuring the word "intentus" in a lowercase, handwritten-style font.

**intentus**

291 Stewart Street  
Bathurst  
Dated: 24 September 2014

A handwritten signature in black ink, appearing to read "Liane Smith".

**LR Smith  
Partner**



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Visit our website at [www.campbelltown.nsw.gov.au](http://www.campbelltown.nsw.gov.au)