

Georges River Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

**A leading, people-focused organisation
delivering outstanding results for our
community and city.**



Georges River Council

General Purpose Financial Statements for the year ended 30 June 2018

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(i) Comparatives for the 2016/17 year covers the period from 13/05/16 to 30/06/17

Overview

Georges River Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

Corner MacMahon and Dora Streets
Hurstville NSW 2220

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

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

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

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

Georges River Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Georges River Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

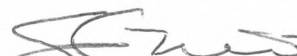
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

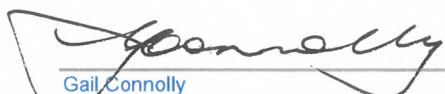
Signed in accordance with a resolution of Council made on 29 October 2018.



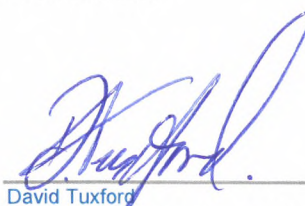
Kevin Greene
Mayor
29 October 2018



Sam Elmir
Deputy Mayor
29 October 2018



Gail Connolly
General Manager
29 October 2018



David Tuxford
Responsible Accounting Officer
29 October 2018

Georges River Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Income from continuing operations				
<i>Revenue:</i>				
90,402	Rates and annual charges	3a	89,309	90,606
14,368	User charges and fees	3b	14,797	15,039
5,048	Interest and investment revenue	3c	6,466	14,177
9,072	Other revenues	3d	8,668	10,734
8,339	Grants and contributions provided for operating purpose:	3e,f	9,438	23,078
23,220	Grants and contributions provided for capital purposes	3e,f	23,128	17,491
<i>Other income:</i>				
2,163	Net gains from the disposal of assets	5	681	7,536
–	Fair value increment on investment property	10	1,455	1,245
152,612	Total income from continuing operations		153,942	179,906
Expenses from continuing operations				
54,902	Employee benefits and on-costs	4a	54,722	60,050
95	Borrowing costs	4b	90	139
43,536	Materials and contracts	4c	39,332	39,851
18,904	Depreciation and amortisation	4d	18,434	17,623
19,475	Other expenses	4e	19,005	18,094
–	Revaluation decrement / impairment of IPP&E	4d	–	3,732
136,912	Total expenses from continuing operations		131,583	139,489
15,700	Operating result from continuing operations		22,359	40,417
15,700	Net operating result for the year		22,359	40,417
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	1,323,295
15,700	Net result for the year		22,359	1,363,712
15,700	Net result attributable to Council		22,359	1,363,712
(7,520)	Net operating result for the year before grants and contributions provided for capital purposes		(769)	22,926

Georges River Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		22,359	1,363,712
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	10,519	12,575
Total items which will not be reclassified subsequently to the operating result		10,519	12,575
Total other comprehensive income for the year		10,519	12,575
Total comprehensive income for the year		32,878	1,376,287
Total comprehensive income attributable to Council		32,878	1,376,287

Georges River Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	16,509	25,812
Investments	6b	107,988	100,568
Receivables	7	11,273	8,228
Inventories	8	126	300
Other	8	514	582
Total current assets		136,410	135,490
Non-current assets			
Investments	6b	57,541	47,541
Receivables	7	–	873
Infrastructure, property, plant and equipment	9	1,234,259	1,209,884
Investment property	10	17,800	16,345
Intangible assets	11	1,839	1,878
Total non-current assets		1,311,439	1,276,521
TOTAL ASSETS		1,447,849	1,412,011
LIABILITIES			
Current liabilities			
Payables	12	22,072	18,338
Income received in advance	12	358	362
Borrowings	12	500	500
Provisions	13	13,668	14,113
Total current liabilities		36,598	33,313
Non-current liabilities			
Borrowings	12	1,625	2,125
Provisions	13	461	286
Total non-current liabilities		2,086	2,411
TOTAL LIABILITIES		38,684	35,724
Net assets		1,409,165	1,376,287
EQUITY			
Accumulated surplus	14	1,386,071	1,363,712
Revaluation reserves	14	23,094	12,575
Council equity interest		1,409,165	1,376,287
Total equity		1,409,165	1,376,287

Georges River Council

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	13/5/16	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		to 30/6/17	Accumulated surplus	
Opening balance		1,363,712	12,575	1,376,287	–	–	–
Net result for the year		22,359	–	22,359	1,363,712	–	1,363,712
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	10,519	10,519	–	12,575	12,575
Other comprehensive income		–	10,519	10,519	–	12,575	12,575
Total comprehensive income (c&d)		22,359	10,519	32,878	1,363,712	12,575	1,376,287
Equity – balance at end of the reporting period		1,386,071	23,094	1,409,165	1,363,712	12,575	1,376,287

Georges River Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
90,402	Rates and annual charges		89,381	102,792
14,368	User charges and fees		15,622	14,258
5,048	Investment and interest revenue received		5,529	13,441
31,559	Grants and contributions		32,365	40,237
–	Bonds, deposits and retention amounts received		2,546	1,694
9,072	Other		16,679	16,995
Payments:				
(54,902)	Employee benefits and on-costs		(53,298)	(61,528)
(43,536)	Materials and contracts		(43,665)	(43,750)
(95)	Borrowing costs		(90)	(139)
–	Bonds, deposits and retention amounts refunded		(938)	(2,153)
(19,475)	Other		(21,240)	(21,041)
32,441	Net cash provided (or used in) operating activities	15b	42,891	60,806
Cash flows from investing activities				
Receipts:				
5,072	Sale of investment securities		47,519	67,308
3,206	Sale of infrastructure, property, plant and equipment		1,288	12,394
Payments:				
–	Purchase of investment securities		(64,553)	(99,847)
(47,639)	Purchase of infrastructure, property, plant and equipment		(35,948)	(26,906)
(39,361)	Net cash provided (or used in) investing activities		(51,694)	(47,051)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(500)	Repayment of borrowings and advances		(500)	(625)
(500)	Net cash flow provided (used in) financing activities		(500)	(625)
(7,420)	Net increase/(decrease) in cash and cash equivalents		(9,303)	13,130
3,896	Plus: cash and cash equivalents – beginning of year	15a	25,812	–
–	Plus: cash transferred on amalgamation of councils		–	12,682
(3,524)	Cash and cash equivalents – end of the year	15a	16,509	25,812

Georges River Council

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

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29/10/2018

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

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

Basis of preparation

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

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

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

AASB 124 Related Party Disclosures was adopted for the first time in the financial statements.

Adopting this standard has had no impact on the reporting of Council's financial position or performance.

Note 21 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Georges River Council

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

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations

Goods and Services Tax (GST)

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

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

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

Georges River Council

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

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, the full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

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

Georges River Council

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

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Governance	4	3	1,486	1,554	(1,482)	(1,551)	–	–	855	581
Assets and Infrastructure	9,835	20,755	43,370	47,094	(33,535)	(26,339)	4,353	13,474	1,269,002	1,238,606
Environment and Planning	54,538	44,316	32,470	34,654	22,068	9,662	478	760	96,807	80,581
Community and Culture	17,047	23,597	28,058	26,461	(11,011)	(2,864)	2,278	2,972	8,302	10,458
Business and Corporate	72,198	80,745	18,704	25,996	53,494	54,749	4,892	6,563	32,362	38,294
Office of the General Manager	5	69	3,483	1,603	(3,478)	(1,534)	–	–	37,111	36,750
Transformation and Change	315	10,421	4,012	2,127	(3,697)	8,294	–	10,000	3,410	6,741
Total functions and activities	153,942	179,906	131,583	139,489	22,359	40,417	12,001	33,769	1,447,849	1,412,011

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions

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

Governance

Includes 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, public disclosure (e.g. GIPA), and legislative compliance.

Assets and Infrastructure

Includes Fire Protection & Emergency Services, Public Conveniences, Street & Gutter Cleaning, Parks, Gardens And Reserves, Golf Course, Tennis and Multi-purpose Courts, Swimming Pools and Aquatic Centre, Engineering Depot, Operating Plant, Traffic, Roads - Maintenance And Repairs, Restorations, Resheet program, Graffiti Expenditure, Drainage and Stormwater, Driveway Crossing Construction, Street Lighting, Bus Shelters & Street Seats, Parking Areas Maintenance, Infrastructure Plus Programs, Catchment & Waterways, Building Maintenance, Tree - Maintenance and Management

Environment and Planning

Includes Compliance & Complaints, Environment Programs, Development Assessment, Strategic Planning, Building Control, Fire Safety, Section 7.11 & 7.12 Developer Contributions, Economic Development Program, Town Improvement Rates, Animal Management, Environmental Health Services, Law Enforcement Officers, Parking Control, Residential Waste Services, Commercial and Trade Waste Services.

Community and Culture

Includes Financial Assistance - Donations, Customer Service, Communications, Citizenship Ceremonies, Events, Carss Park Childcare Centre, Ocean Street Childcare Centre, South Hurstville Kindergarten, Community & Cultural Development, Museum and Gallery, Libraries at Hurstville, Penshurst, Kogarah, Oatley and South Hurstville, Entertainment Centre and Halls, Hurstville Early Learning Centre, Penshurst Long Day Care Centre, Jack High Childcare Centre

Business and Corporate

Includes Financial Services, Risk Management, Emergency Management Contribution, General Rates and Services, Workers Compensation, Human Resources / Recruitment, Information Management and Technology; Governance, Procurement, Information Support

Office of the General Manager

Includes Corporate Planning, Jubilee Oval Management, Strategic Property, Commercial Property, General Counsel, Executive Support, Internal Audit Program, Councillor Management & Meetings.

Transformation and Change

The Transformation and Change Implementation plan was designed to support Council in building a strong organisation for the Georges River Community. The Plan defines the guiding principles, governance and activities of bringing together the two former councils.

This Plan is:

- aligned with the principles guiding change defined by the NSW government;
- local, based on the individual context of Georges River Council and the needs and interests of our community;
- targeted, with a focus on the 10 key results and most urgent priorities;
- adaptive, able to respond rapidly to unexpected issues and new opportunities;
- prioritised, with a clear understanding of the costs and benefits of activities; and
- measureable, with a clear framework for monitoring and communicating progress.

Georges River Council

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

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	53,682	52,936
Business	9,492	9,285
Total ordinary rates	63,174	62,221
Special rates		
Town improvement	617	608
Total special rates	617	608
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	22,625	24,598
Stormwater management services	1,170	1,318
Waste management services (non-domestic)	1,635	1,796
Section 611 charges	88	65
Total annual charges	25,518	27,777
TOTAL RATES AND ANNUAL CHARGES	89,309	90,606

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

Accounting policy for rates and annual charges

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

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

Georges River Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)	81	62
Total specific user charges	81	62
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	4,320	4,050
Regulatory fees	546	481
Section 149 certificates (EPA Act)	350	391
Section 603 certificates	172	204
Total fees and charges – statutory/regulatory	5,388	5,126
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	3,817	3,903
Fire and emergency services levy (FESL) implementation	–	53
Leaseback fees – Council vehicles	488	576
Leisure centre	1,729	1,898
Restoration charges	912	854
Community services	6	10
Golf course	650	612
Library	86	141
Parks income	577	434
Public halls	680	702
Tennis courts	108	78
Other jubilee oval – ticket sales	139	381
Other	136	209
Total fees and charges – other	9,328	9,851
TOTAL USER CHARGES AND FEES	14,797	15,039

Accounting policy for user charges and fees

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

Georges River Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	200	198
– Cash and investments	5,880	5,913
Dividend income – CDO litigation – settlement	–	7,533
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	386	533
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>6,466</u>	<u>14,177</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	200	198
General Council cash and investments	2,743	10,593
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	2,220	2,094
Domestic waste management operations	556	257
Other externally restricted assets Town Improvement Rates	70	74
Other externally restricted assets LIRS Jubilee Park	36	78
Other externally restricted assets Stormwater Management	3	–
Restricted investments/funds – internal:		
Internally restricted assets	638	882
<u>Total interest and investment revenue recognised</u>	<u>6,466</u>	<u>14,177</u>

Accounting policy for interest and investment revenue

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

Georges River Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Other revenues			
Rental income – investment property	10	1,712	1,586
Rental income – other council properties		2,318	2,856
Ex gratia rates		–	3
Fines		476	1,854
Fines – parking		2,445	2,906
Legal fees recovery – rates and charges (extra charges)		53	91
Legal fees recovery – other		351	366
Commissions and agency fees		87	9
Diesel rebate		–	25
Insurance claim recoveries		454	344
Events income		171	129
Other		601	565
<u>TOTAL OTHER REVENUE</u>		<u>8,668</u>	<u>10,734</u>

Accounting policy for other revenue

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

Fine income is recognised as revenue when payment is received from the Office of State Revenue.

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

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

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

Georges River Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	4,175	6,062	–	–
Other				
Pensioners' rates subsidies – general component	710	633	–	–
Total general purpose	4,885	6,695	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	295	158	–	–
Child care	1,596	2,360	–	–
Environmental protection	–	–	932	85
Library	277	284	101	101
LIRS subsidy	93	182	–	–
Street lighting	328	495	–	–
Transport (roads to recovery)	1,000	1,649	–	–
Transport (other roads and bridges funding)	–	–	210	113
Waste management	152	367	–	–
Parks	–	–	1,787	407
Floodplain management	–	–	–	595
New council implementation fund	–	10,000	–	–
Stronger communities fund	–	–	–	10,000
Community services	121	126	146	90
Other	73	65	5	(3)
Total specific purpose	3,935	15,686	3,181	11,388
Total grants	8,820	22,381	3,181	11,388
Grant revenue is attributable to:				
– Commonwealth funding	6,735	10,082	1,110	110
– State funding	2,085	12,279	2,071	11,278
– Other funding	–	20	–	–
	8,820	22,381	3,181	11,388

Georges River Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		32	(38)	13,673	4,511
Total developer contributions – cash		32	(38)	13,673	4,511
Total developer contributions	22	32	(38)	13,673	4,511
Other contributions:					
Cash contributions					
Kerb and gutter		–	–	29	65
RMS contributions (regional roads, block grant)		466	494	1,253	1,083
Contributions to legal and consultant fees		29	91	–	–
Parks – contribution by sporting club		–	12	284	16
Other voluntary planning agreements		–	–	4,670	274
Other		91	138	38	154
Total other contributions – cash		586	735	6,274	1,592
Total other contributions		586	735	6,274	1,592
Total contributions		618	697	19,947	6,103
TOTAL GRANTS AND CONTRIBUTIONS		9,438	23,078	23,128	17,491

Accounting policy for grants and contributions

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

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

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

Georges River Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	853	2,111
Add: operating grants recognised in the current period but not yet spent	126	84
Add: operating grants received for the provision of goods and services in a future period	–	36
Less: operating grants recognised in a previous reporting period now spent	(309)	(1,377)
Unexpended and held as restricted assets (operating grants)	<u>670</u>	<u>853</u>
Capital grants		
Unexpended at the close of the previous reporting period	923	1,415
Add: capital grants recognised in the current period but not yet spent	269	319
Add: capital grants received for the provision of goods and services in a future period	1,815	–
Less: capital grants recognised in a previous reporting period now spent	(163)	(811)
Unexpended and held as restricted assets (capital grants)	<u>2,844</u>	<u>923</u>
Contributions		
Unexpended at the close of the previous reporting period	58,328	54,406
Add: contributions recognised in the current period but not yet spent	15,925	6,565
Less: contributions recognised in a previous reporting period now spent	(8,797)	(2,643)
Unexpended and held as restricted assets (contributions)	<u>65,456</u>	<u>58,328</u>

Georges River Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	41,915	45,882
Employee termination costs (where material – other than vested leave paid)	1,055	2,246
Travel expenses	355	113
Employee leave entitlements (ELE)	5,539	5,188
Superannuation	3,748	3,734
Superannuation – defined benefit plans	1,067	1,051
Workers' compensation insurance	1,472	1,763
Fringe benefit tax (FBT)	237	304
Training costs (other than salaries and wages)	463	494
Other	53	37
Total employee costs	55,904	60,812
Less: capitalised costs	(1,182)	(762)
TOTAL EMPLOYEE COSTS EXPENSED	54,722	60,050
Number of 'full-time equivalent' employees (FTE) at year end	565	528

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

(b) Borrowing costs	2018	13/5/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on overdraft	–	3
Interest on loans	90	136
Total interest bearing liability costs expensed	90	139
TOTAL BORROWING COSTS EXPENSED	90	139

Accounting policy for borrowing costs

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

Georges River Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	2,317	2,490
Contractor and consultancy costs – waste services	19,242	21,681
Contractor and consultancy costs – contractors (various services)	7,490	5,780
Contractor and consultancy costs – consultancy costs	3,934	3,238
Auditors remuneration ⁽²⁾	117	184
Legal expenses:		
– Legal expenses: planning and development	528	728
– Legal expenses: other	750	688
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	135	241
IT expenses	2,658	2,518
Motor vehicle expenses	1,259	1,659
Other maintenance of assets	578	512
Other	324	132
TOTAL MATERIALS AND CONTRACTS	39,332	39,851
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Computers	83	147
Other	52	94
	135	241
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	115	114
Remuneration for audit and other assurance services	115	114
Total Auditor-General remuneration	115	114
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Audit and review of financial statements	2	–
Other audit and assurance services	–	70
Remuneration for audit and other assurance services	2	70
Total remuneration of non NSW Auditor-General audit firms	2	70
Total Auditor remuneration	117	184

Georges River Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,345	2,678
Office equipment		365	359
Furniture and fittings		251	166
Infrastructure:			
– Buildings – non-specialised		2,069	2,045
– Buildings – specialised		2,317	1,763
– Other structures		374	576
– Roads		5,996	4,841
– Footpaths		942	724
– Stormwater drainage		508	1,064
– Other open space/recreational assets		2,425	2,445
Other assets:			
– Library books		355	549
– Other		14	21
Intangible assets	11	473	392
Total depreciation and amortisation costs		18,434	17,623
Impairment / revaluation decrement of IPP&E			
Infrastructure		–	3,732
Total IPP&E impairment / revaluation decrement costs / (reversals)		–	3,732
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		18,434	21,355

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial assets

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

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

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

Georges River Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	215	303
Bad and doubtful debts	87	70
Bank charges	80	100
Contributions/levies to other levels of government		
– Department of planning levy	289	276
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,099	2,317
– Other contributions/levies	7	29
Councillor expenses – mayoral fee/administrator fee	118	275
Councillor expenses – councillors' fees	346	19
Councillors' expenses (incl. mayor) – other (excluding fees above)	17	248
Donations, contributions and assistance to other organisations (Section 356)	933	425
– Stronger community fund	–	1,000
Election expenses	623	3
Electricity and heating	1,354	1,267
Insurance	1,670	1,246
Postage	92	270
Printing and stationery	345	462
Street lighting	2,144	2,598
Telephone and communications	311	482
Valuation fees	282	256
Catering food and beverage	272	284
Commission charges	725	665
Exhibitions, festivals and events	970	629
Property expenses – utilities	1,069	1,076
Property expenses – other	4,068	2,741
Memberships and subscriptions	395	390
Other recruitment and staff well being	242	348
Other	252	315
<u>TOTAL OTHER EXPENSES</u>	<u>19,005</u>	<u>18,094</u>

Accounting policy for other expenses

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

Georges River Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Plant and equipment			
Proceeds from disposal – plant and equipment	9	1,273	1,643
Less: carrying amount of plant and equipment assets sold/written off		(806)	(1,336)
Net gain/(loss) on disposal		467	307
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off	9	(639)	–
Net gain/(loss) on disposal		(639)	–
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets	6	47,519	67,308
Less: carrying amount of financial assets sold/redeemed/matured		(47,519)	(67,308)
Net gain/(loss) on disposal		–	–
Office equipment			
Proceeds from disposal – Office equipment		15	–
Less: carrying amount of Office equipment assets sold/written off		(3)	–
Net gain/(loss) on disposal		12	–
Library collection			
Proceeds from disposal – Library collection		–	–
Less: carrying amount of Library collection assets sold/written off		(51)	(22)
Net gain/(loss) on disposal		(51)	(22)
Land			
Proceeds from disposal – Land		1,800	10,750
Less: carrying amount of Land assets sold/written off		(908)	(3,500)
Net gain/(loss) on disposal		892	7,250
Other			
Proceeds from disposal – Other		–	1
Net gain/(loss) on disposal		–	1
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		681	7,536

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	7,544	16,578
Cash-equivalent assets		
– Deposits at call	8,965	9,234
Total cash and cash equivalents	16,509	25,812

Accounting policy for cash and cash equivalents

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

Georges River Council

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	73,488	–	72,068	–
b. 'Held to maturity'	34,500	57,541	28,500	47,541
Total investments	107,988	57,541	100,568	47,541
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	124,497	57,541	126,380	47,541
Financial assets at fair value through the profit and loss				
Managed funds	5,565	–	5,565	–
NCD's, FRN's (with maturities > 3 months)	67,923	–	66,503	–
Total	73,488	–	72,068	–
Held to maturity investments				
Long term deposits	34,500	57,541	28,500	47,541
Total	34,500	57,541	28,500	47,541

Accounting policy for investments**Classification**

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

(a) Financial assets at fair value through profit or loss

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

(b) Held to maturity investments

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

Recognition and de-recognition

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. Investments 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.

Georges River Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	124,497	57,541	126,380	47,541
attributable to:				
External restrictions (refer below)	38,507	57,541	30,171	47,541
Internal restrictions (refer below)	77,118	–	83,555	–
Unrestricted	8,872	–	12,654	–
	124,497	57,541	126,380	47,541

\$ '000	2018	2017
---------	------	------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	–	836
External restrictions – included in liabilities	–	836

External restrictions – other

Developer contributions – general	65,456	58,328
Specific purpose unexpended grants	3,514	1,776
Domestic waste management	18,344	13,636
Environmental and stormwater levies	1,380	1,058
Town improvement levy	1,955	1,644
Special rate levy	455	160
Voluntary planning agreements	4,944	274
External restrictions – other	96,048	76,876
Total external restrictions	96,048	77,712

Georges River Council

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

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	3,190	2,091
Employees leave entitlement	9,113	9,113
Deposits, retentions and bonds	5,240	5,240
Childcare equipment	235	318
Election reserve	573	994
Hurstville golf course	264	191
CDO recovery	5,971	6,855
Asset management	10,937	9,831
Commercial property	18,474	19,596
Strategic centres	8,103	8,603
Street decorations	–	52
Financial assistance grant	2,131	2,063
Environmental sustainability	447	369
Stronger communities fund	7,091	9,205
Legal reserve	–	354
Aquatic facilities	1,939	1,939
Cost savings quarantined	1,515	350
New council implementation fund	1,895	6,391
Total internal restrictions	77,118	83,555
TOTAL RESTRICTIONS	173,166	161,267

Georges River Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	2,462	–	2,140	394
Interest and extra charges	322	–	118	169
User charges and fees	1,772	–	1,417	241
Contributions to works	1	–	342	–
Capital debtors (being sale of assets)				
– Other asset sales	1,800	–	–	–
Accrued revenues				
– Interest on investments	2,139	–	1,623	–
– Other income accruals	560	–	707	–
Government grants and subsidies	1,135	–	934	–
Net GST receivable	1,349	–	1,156	–
Other debtors	23	–	54	69
Total	11,563	–	8,491	873
Less: provision for impairment				
Rates and annual charges	(14)	–	(14)	–
Other debtors	(276)	–	(249)	–
Total provision for impairment – receivables	(290)	–	(263)	–
<u>TOTAL NET RECEIVABLES</u>	<u>11,273</u>	<u>–</u>	<u>8,228</u>	<u>873</u>
Externally restricted receivables				
Domestic waste management	779	–	600	198
Town improvement	24	–	14	9
Stormwater management	43	–	34	10
Total external restrictions	846	–	648	217
Unrestricted receivables	10,427	–	7,580	656
<u>TOTAL NET RECEIVABLES</u>	<u>11,273</u>	<u>–</u>	<u>8,228</u>	<u>873</u>
Movement in provision for impairment of receivables			2018	13/5/16 to 30/6/17
Balance at the beginning of the year			263	281
+ new provisions recognised during the year			88	51
– amounts already provided for and written off this year			(61)	–
– amounts provided for but recovered during the year			–	(69)
Balance at the end of the year			290	263

Georges River Council

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

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

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

Georges River Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	–	–	147	–
Stores and materials	126	–	153	–
Total inventories at cost	126	–	300	–
<u>TOTAL INVENTORIES</u>	<u>126</u>	<u>–</u>	<u>300</u>	<u>–</u>
(b) Other assets				
Prepayments	477	–	546	–
Deposit to supplier	37	–	36	–
<u>TOTAL OTHER ASSETS</u>	<u>514</u>	<u>–</u>	<u>582</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Georges River Council

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

Note 8. Inventories and other assets (continued)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Industrial/commercial	–	–	147	–
Total real estate for resale	–	–	147	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Other properties – book value	–	–	147	–
Total real estate for resale	–	–	147	–
Movements:				
Real estate assets at beginning of the year	147	–	147	–
– Transfers in from (out to) Note 9	(147)	–	–	–
Total real estate for resale	–	–	147	–

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2018	2017
Real estate for resale	–	147
	–	147

Accounting policy**Raw materials and stores, work in progress and finished goods**

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

Inventory held for distribution

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

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.

Georges River Council

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

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	2,657	–	2,657	4,155	6,705	–	–	(717)	–	–	–	12,800	–	12,800
Plant and equipment	19,547	11,131	8,416	2,992	–	(806)	(2,345)	–	–	–	–	19,735	11,478	8,257
Office equipment	4,043	2,901	1,142	615	2	(3)	(365)	–	2	–	–	4,637	3,244	1,393
Furniture and fittings	3,467	1,885	1,582	57	207	–	(251)	–	(2)	–	–	3,729	2,136	1,593
Land:														
– Operational land	213,257	–	213,257	–	1,181	(908)	–	–	908	147	10,519	225,104	–	225,104
– Community land	175,916	–	175,916	2,402	–	–	–	–	(908)	–	–	177,410	–	177,410
– Council controlled land	15,160	–	15,160	–	–	–	–	–	–	–	–	15,160	–	15,160
– Land under roads (post 30/6/08)	727	–	727	–	–	–	–	–	–	–	–	727	–	727
Infrastructure:														
– Buildings – non-specialised	108,151	32,417	75,734	669	903	–	(2,069)	–	(268)	–	–	109,455	34,487	74,968
– Buildings – specialised	121,842	39,585	82,257	706	–	–	(2,317)	185	268	–	–	123,001	41,903	81,098
– Other structures	15,490	6,118	9,372	95	153	–	(374)	–	439	–	–	15,602	5,917	9,685
– Roads	538,412	184,946	353,466	6,301	384	–	(5,996)	157	–	–	–	545,252	190,940	354,312
– Footpaths	71,930	37,790	34,140	2,005	22	–	(942)	5	–	–	–	73,962	38,732	35,230
– Bulk earthworks (non-depreciable)	115,030	–	115,030	–	–	–	–	–	–	–	–	115,030	–	115,030
– Stormwater drainage	143,118	71,581	71,537	188	1	–	(508)	–	–	–	–	143,306	72,088	71,218
– Other open space/recreational assets	73,622	25,096	48,526	1,245	2,590	(638)	(2,425)	370	(439)	–	–	74,305	25,076	49,229
Other assets:														
– Library books	5,649	4,772	877	501	–	(51)	(355)	–	–	–	–	5,510	4,539	971
– Other	444	356	88	–	–	–	(14)	–	–	–	–	444	370	74
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,628,462	418,578	1,209,884	21,931	12,148	(2,406)	(17,961)	–	–	147	10,519	1,665,169	430,910	1,234,259

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

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

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

Land is not depreciated. Depreciation on 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	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 4		
Vehicles	3 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 60
Stormwater assets			
Drains	80 to 150		
Culverts	50 to 150		
Flood control structures	80 to 100		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	25 to 40	Bulk earthworks	Infinite
Sealed roads: structure	50 to 120	Swimming pools	50 to 75
Unsealed roads	20	Other open space/recreational assets	5 to 100
Bridge: concrete	100	Other infrastructure	5 to 100
Bridge: other	50		
Road pavements	60 to 80		
Kerb, gutter and footpaths	40 to 100		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Georges River Council

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

Note 9. Infrastructure, property, plant and equipment (continued)

Crown reserves

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

Georges River Council

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

Note 10. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>17,800</u>	<u>16,345</u>
Reconciliation of annual movement:		
Opening balance	16,345	15,100
– Net gain/(loss) from fair value adjustments	1,455	1,245
CLOSING BALANCE – INVESTMENT PROPERTY	<u>17,800</u>	<u>16,345</u>

(b) Valuation basis

The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(c) Leasing arrangements – Council as lessor

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

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	1,544	1,466
Later than 1 year but less than 5 years	1,865	2,819
Total minimum lease payments receivable	<u>3,409</u>	<u>4,285</u>

(d) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	1,712	1,586
Direct operating expenses on investment property:		
– that generated rental income	(541)	(628)
Net revenue contribution from investment property	<u>1,171</u>	<u>958</u>
plus:		
Fair value movement for year	<u>1,455</u>	<u>1,245</u>
Total income attributable to investment property	<u>2,626</u>	<u>2,203</u>

Accounting policy for investment property

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

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

Georges River Council

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

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	3,513	2,031
Accumulated amortisation (1/7)	(1,635)	(1,244)
Net book value – opening balance	1,878	787
Movements for the year		
– Purchases	434	1,482
– Amortisation charges	(473)	(391)
Closing values:		
Gross book value (30/6)	3,947	3,513
Accumulated amortisation (30/6)	(2,108)	(1,635)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	1,839	1,878

¹ The net book value of intangible assets represent:

– Software	1,839	1,878
	1,839	1,878

Accounting policy for intangible assets

IT development and software

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

Georges River Council

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

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	4,780	–	5,207	–
Goods and services – capital expenditure	2,551	–	3,988	–
Accrued expenses:				
– Salaries and wages	1,957	–	116	–
– Other expenditure accruals	3,722	–	1,960	–
Security bonds, deposits and retentions	8,556	–	6,948	–
ATO fringe benefits tax	59	–	46	–
Other	447	–	73	–
Total payables	22,072	–	18,338	–
Income received in advance				
Payments received in advance	358	–	362	–
Total income received in advance	358	–	362	–
Borrowings				
Loans – secured ¹	500	1,625	500	2,125
Total borrowings	500	1,625	500	2,125
TOTAL PAYABLES AND BORROWINGS	22,930	1,625	19,200	2,125

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,276	–	575	–
Payables and borrowings relating to externally restricted assets	1,276	–	575	–
Total payables and borrowings relating to restricted assets	1,276	–	575	–
Total payables and borrowings relating to unrestricted assets	21,654	1,625	18,625	2,125
TOTAL PAYABLES AND BORROWINGS	22,930	1,625	19,200	2,125

¹. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

Georges River Council

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

Note 12. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	3,254	1,708
	3,254	1,708

(c) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	2,625	(500)	–	–	–	2,125
TOTAL	2,625	(500)	–	–	–	2,125

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

Bank overdraft facilities ⁽¹⁾	650	650
Credit cards/purchase cards	250	250
Other	700	–
Total financing arrangements	1,600	900
Drawn facilities as at balance date:		
– Credit cards/purchase cards	1	34
– Other	410	–
Total drawn financing arrangements	411	34
Undrawn facilities as at balance date:		
– Bank overdraft facilities	650	650
– Credit cards/purchase cards	249	216
– Other	290	–
Total undrawn financing arrangements	1,189	866

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

Georges River Council

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

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

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

Georges River Council

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

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	4,048	–	4,029	–
Sick leave	488	–	496	–
Long service leave	8,750	461	9,246	286
Gratuities	142	–	137	–
Other leave – RDO and TOIL	240	–	205	–
TOTAL PROVISIONS	13,668	461	14,113	286

(a) Provisions relating to restricted assets

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

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

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

Provisions – employees benefits	6,929	7,159
	6,929	7,159

\$ '000

(b) Description of and movements in provisions

2018	ELE provisions				Other employee benefits	Total
	Annual leave	Sick leave	Long service leave			
At beginning of year	4,029	496	9,532		342	14,399
Additional provisions	3,158	13	1,309		199	4,679
Amounts used (payments)	(3,226)	(31)	(2,031)		(169)	(5,457)
Remeasurement effects	87	10	161		10	268
Other - LSL Receipts	–	–	240		–	240
Total ELE provisions at end of year	4,048	488	9,211		382	14,129
2017						
At beginning of year	3,744	531	10,771		373	15,419
Additional provisions	3,344	(13)	1,242		183	4,756
Amounts used (payments)	(3,140)	(33)	(2,628)		(221)	(6,022)
Remeasurement effects	81	11	147		7	246
Total ELE provisions at end of year	4,029	496	9,532		342	14,399

Georges River Council

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

Note 13. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Georges River Council

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	16,509	25,812
Balance as per the Statement of Cash Flows		16,509	25,812
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		22,359	40,417
Adjust for non-cash items:			
Depreciation and amortisation		18,434	17,623
Net losses/(gains) on disposal of assets		(681)	(7,536)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(386)	(533)
– investment property		(1,455)	(1,245)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	3,732
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(399)	11,170
Increase/(decrease) in provision for doubtful debts		27	(18)
Decrease/(increase) in inventories		27	114
Decrease/(increase) in other assets		68	227
Increase/(decrease) in payables		(427)	(28)
Increase/(decrease) in other accrued expenses payable		3,603	6
Increase/(decrease) in other liabilities		1,991	(2,103)
Increase/(decrease) in employee leave entitlements		(270)	(1,020)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		42,891	60,806

Georges River Council

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

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	12,123	703
Plant and equipment	252	8
Parks	1,209	3,105
Infrastructure	5,603	1,091
Software	80	288
Total commitments	19,267	5,195
These expenditures are payable as follows:		
Within the next year	19,267	4,979
Later than one year and not later than 5 years	–	216
Total payable	19,267	5,195
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	21	56
Later than one year and not later than 5 years	27	26
Total non-cancellable operating lease commitments	48	82
b. Non-cancellable operating leases include the following assets:		
Office Equipment - computers, scanners, printer / photocopier fleet		
Contingent rentals may be payable depending on the condition of items or usage during the lease term.		
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		
(c) Investment property commitments		
Non-capital expenditure on investment property committed for at the reporting date but not recognised in the financial statements as liabilities:		
Contractual obligations – repairs and maintenance	558	96
Total commitments	558	96
These expenditures are payable as follows:		
Within the next year	186	96
Later than one year and not later than 5 years	372	–
Total payable	558	96

Georges River Council

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

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

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

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

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$949,237.72. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$981,284.60

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

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

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

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 3.48% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Georges River Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

Georges River Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

(iii) Investments

Council is an admitted creditor in the liquidation of the estate of Lehman Brothers Australia in relation to losses sustained on Collateralised Debt Obligations acquired from them. A claims resolution process as approved by the court is currently in progress.

Council is a member of a group action against Standard & Poor's in relation to losses sustained on Collateralised Debt Obligations purchased on the basis of their credit ratings. This matter is currently before the courts.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Georges River Council

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

Note 18. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	16,509	25,812	16,509	25,812
Investments				
– 'Held for trading'	73,488	72,068	73,488	72,068
– 'Held to maturity'	92,041	76,041	92,041	76,041
Receivables	11,273	9,101	11,273	9,101
Total financial assets	193,311	183,022	193,311	183,022
Financial liabilities				
Payables	22,072	18,338	22,072	18,338
Loans/advances	2,125	2,625	2,125	2,625
Total financial liabilities	24,197	20,963	24,197	20,963

Fair value is determined as follows:

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

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	625	625	(625)	(625)
Possible impact of a 1% movement in interest rates	1,821	1,821	(1,821)	(1,821)
13/5/16to 30/6/17				
Possible impact of a 10% movement in market values	635	635	(635)	(635)
Possible impact of a 1% movement in interest rates	1,733	1,733	(1,733)	(1,733)

Georges River Council

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

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	88%	0%	87%
Overdue	100%	12%	100%	13%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
< 1 year overdue			2,501	2,754
1 – 2 years overdue			239	46
2 – 5 years overdue			44	18
> 5 years overdue			–	3
			<u>2,784</u>	<u>2,821</u>
Other receivables				
Current			7,765	5,701
0 – 30 days overdue			174	226
31 – 60 days overdue			143	180
61 – 90 days overdue			47	41
> 91 days overdue			650	395
			<u>8,779</u>	<u>6,543</u>

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	8,556	13,516	–	–	22,072	22,072
Loans and advances	3.68%	–	585	1,729	–	2,314	2,125
Total financial liabilities		8,556	14,101	1,729	–	24,386	24,197
2017							
Trade/other payables	0.00%	6,948	11,390	–	–	18,338	18,338
Loans and advances	3.72%	–	621	2,235	127	2,983	2,625
Total financial liabilities		6,948	12,011	2,235	127	21,321	20,963

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 29 June 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	90,402	89,309	(1,093)	(1%)	U
Although, Council's Rates & Annual Charges income is within the 10 percent material variation, there was an unfavourable variation which was associated with over budget in terms of business/commercial rates (\$868K) and waste services (\$405K) levied.					
User charges and fees	14,368	14,797	429	3%	F
The favourable budget versus actual result is contributed by the following:					
· Development application fees (\$345K) which is majorly due to increased volume of applications as part of the Kogarah North Plans					
· Community - Parks income (\$344K) due to better management of these services					
· Hoarding rental fees (\$292K)					
· Income from road and footpath restorations (\$255K), which is offset by additional expenditure to under the recovery works					
There are items within the category that have also not performed as estimated as adopted budget. These are income from the leisure centre, childcare fees, ticket sales, road opening and construction/work zone permits and licences. The Childcare fees (\$466K) being the major unfavourable is offset by childcare benefit grants within operational grants & contributions.					
Interest and investment revenue	5,048	6,466	1,418	28%	F
The increase in interest income is attributed to the fact that there has being more surplus funds that was invested during the financial year. The funds were made available due to majority of capital works projects not started or completed during the year as planned during budgeting process.					
Other revenues	9,072	8,668	(404)	(4%)	U
<i>The following items were under budget –</i>					
Fine income (\$1,123K) which was aligned to the vacancies in the business unit during the year.					
<i>The following items exceeded budget –</i>					
Legal Fees Recovery (\$342K) – more successful Land & Environment court awarded costs for development application and building compliance appeals.					
Operating grants and contributions	8,339	9,438	1,099	13%	F
Childcare benefit grants (\$278K) – childcare benefit component of fees.					
Pensioners Rebate subsidy (\$241K) was under budgeted.					

Georges River Council

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

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES (continued)					
Capital grants and contributions	23,220	23,128	(92)	(0%)	U
Shortfall in developer contributions (\$804K) was offset by additional grants in relation to parks and environmental works funding (\$1,187K).					
Net gains from disposal of assets	2,163	681	(1,482)	(69%)	U
The unfavourable result was supported by the fact that the planned sale of property did not proceed.					
EXPENSES					
Employee benefits and on-costs	54,902	54,722	180	0%	F
There was a surplus in salaries and wages (\$2,007K), which was contributed to vacancies across Council. In addition, there was an increase in employee leave entitlement expenditure over the financial year of \$1,935K.					
Borrowing costs	95	90	5	5%	F
Materials and contracts	43,536	39,332	4,204	10%	F
<i>Savings occurred in the following areas:</i>					
· Waste services expenditure (\$3,159K)					
· Raw materials & consumables (\$2,590K)					
· Motor vehicle running expenses (\$722K)					
· Consultancies (\$558K)					
<i>The following expenditure items exceeded budget:</i>					
· Information technology expenses (\$466K)					
· Non-capitalised equipment purchases (\$194K)					
· Maintenance (\$384K)					
Depreciation and amortisation	18,904	18,434	470	2%	F
Other expenses	19,475	19,005	470	2%	F
<i>Savings occurred in the following expenditure items:</i>					
· Commission charges (\$109K) due to reduction in fine income					
· Election expenses (\$176K)					
· Events & exhibition costs (\$260K)					
· Electricity & street lighting (\$388K)					
<i>The following expenditure items exceeded budget:</i>					
· Property expenses (\$832K)					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	32,441	42,891	10,450	32.2%	F
Higher than budgeted cash inflows from Bonds/Deposits and increased refunds of GST, contributed to an increase in cash flows from operating activities.					
Cash flows from investing activities	(39,361)	(51,694)	(12,333)	31.3%	U
Lower than budgeted expenditure on capital works led to more cash being available for investments.					
Cash flows from financing activities	(500)	(500)	–	0.0%	F
The actual movement relates to repayment of borrowings and reflects the budgeted amount.					

Georges River Council

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

Note 20. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/18	–	–	73,488	73,488
Total financial assets		–	–	73,488	73,488
Investment property					
Properties held with the primary purpose of external lease	30/06/18	–	17,800	–	17,800
Total investment property		–	17,800	–	17,800
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	8,257	8,257
Office equipment		–	–	1,393	1,393
Furniture and fittings		–	–	1,593	1,593
Operational land	30/06/18	–	–	225,104	225,104
Community land	30/06/17	–	–	177,410	177,410
Council controlled land	30/06/17	–	–	15,160	15,160
Land under roads (post 30/6/08)	30/06/17	–	–	727	727
Buildings – non-specialised	30/06/17	–	–	74,968	74,968
Buildings – specialised	30/06/17	–	–	81,098	81,098
Other structures	30/06/17	–	–	9,685	9,685
Roads and bridges	30/06/17	–	–	469,342	469,342
Footpaths	30/06/17	–	–	35,230	35,230
Open space	30/06/17	–	–	49,229	49,229
Stormwater drainage	30/06/17	–	–	71,218	71,218
Library books		–	–	971	971
Other assets		–	–	74	74
Total infrastructure, property, plant and equipment		–	–	1,221,459	1,221,459

Georges River Council

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

Note 20. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held for trading'	–	–	72,068	72,068
Total financial assets	–	–	72,068	72,068
Investment property				
Properties held with the primary purpose of external lease	–	16,345	–	16,345
Total investment property	–	16,345	–	16,345
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	8,416	8,416
Office equipment	–	–	1,142	1,142
Furniture and fittings	–	–	1,582	1,582
Operational land	–	–	213,257	213,257
Community land	–	–	175,916	175,916
Council controlled land	–	–	15,160	15,160
Land under roads (post 30/6/08)	–	–	727	727
Buildings – non-specialised	–	–	75,734	75,734
Buildings – specialised	–	–	82,257	82,257
Other structures	–	–	9,371	9,371
Roads and bridges	–	–	468,496	468,496
Footpaths	–	–	34,140	34,140
Open space	–	–	48,527	48,527
Stormwater drainage	–	–	71,537	71,537
Library books	–	–	877	877
Other assets	–	–	88	88
Total infrastructure, property, plant and equipment	–	–	1,207,227	1,207,227

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Georges River Council

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

Note 20. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

▪ **Financial assets**

Council obtains valuations from independent investment advisors (CPG Research and Advisory Pty Ltd) on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuations. Council holds various FRNs, covered and fixed interest bonds that are considered level 3 assets. Council obtains valuations from the arranger/issuer/bank on a monthly basis and/or at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations sourced from the arranger/issuer/bank are based on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices, which are variable (unobservable inputs), in the secondary market.

▪ **Investment property**

Council undertakes valuations of its investment property portfolio on an annual basis and at the end of each reporting period the financial statements reflect the most up-to-date valuation.

The best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in an active market for similar assets or similar properties in less active markets
 - Discounted cash flow projections based on estimates of future cash inflows and outflows
- All investment properties are included in level 2 of the hierarchy with the key observable input to the valuation being the price per square metre.

The fair value of investment properties is determined by independent, qualified valuers who have experience in the location of the property. The revaluation of council's investment properties building component was performed by Liquid Pacific Holdings Pty Ltd as at 30 June 2018.

▪ **Land** (Operational, Community, Council Controlled and Land Under Roads)

Council obtains independent valuations of its Operational Land portfolio on a cyclic basis. Suitably qualified internal staff ensure that the fair value reported does not differ materially from actual fair value.

In order to ascertain appropriate values to the Operational and Community Land we have primarily applied the Direct Comparison Approach. This approach involves investigation of vacant land sales evidence with comparable or similar characteristics. The various land components are analysed in order to derive a fair market value.

For community and other special purpose land where there are a limited number of market transactions, we have considered the market evidence of parcels of land of similar characteristics (but not restricted in use) with an appropriate discount applied for the property's current zoning.

The best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

Georges River Council

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

Note 20. Fair value measurement (continued)

- Current prices in active markets for similar assets or similar land parcels in less active markets
- Community and other special purpose land assets are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre. Operational Land values are at indexation to reflect the inherent utility afforded from the 2015/16 valuation.
- Liquid Pacific Holdings Pty Ltd performed an independent valuation Operational Land assets for the period ending 30/06/18. Valuations for Community and Council Controlled Land have been valued using Valuer General (VG) price per square metre for the period ending 30/06/17. Land Under Roads (post 2008) was last valued using VG valuation as at 30/6/2015 following a boundary change with the former Canterbury City Council.

▪ **Buildings**

Specialised buildings are assets which, due to their particular design, application or use, are not normally traded within an established market and thus the basis for valuation of these buildings is the cost approach. Depreciated replacement cost is a method of valuation that is based on an estimate of the current cost of replacing the asset with a similar asset, less an allowance for the effect of depreciation (accrued physical wear and tear), and economic and functional obsolescence. Thus the following inputs and assumptions are used in determining fair value:

- Breakdown of building into relevant components comprising some or all of; External walls, windows and doors; Roof including framing and guttering; Electricals & lighting; Fire Equipment; Air Conditioning; Hot Water System; Lifts; Fitout, Fixtures & Fittings; Exterior Works & Landscaping; and Residual Structure.
- The straight line method of depreciation has been adopted which is based on the premise that the loss in value is in equal amounts over the full extent of the components/assets life.
- The effective lives of component/asset are the estimated life of that component/asset, assuming use in its present function, as part of a continuing business.

Specialised buildings are included in level 3 of the hierarchy with the key unobservable inputs being the effective lives and component condition / allowance for depreciation.

Australis Asset Advisory Group performed an independent valuation of building assets as at 30 June 2017.

Non-specialised buildings are those for which a market exists and as such the best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in an active market for similar assets or similar properties in less active markets.
- Comprehensive reference on building costs and useful lives.

Non-specialised buildings are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre.

Australis Asset Advisory Group performed an independent valuation of building assets as at 30 June 2017.

▪ **Other Structures, land improvements, other recreational-open space assets, roads, footpaths, bulk earthworks and stormwater drainage**

Council obtains independent valuations on a cyclic basis and utilises suitably qualified internal staff to undertake interim revaluations as appropriate to ensure that reported fair value does not differ materially from

Georges River Council

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

Note 20. Fair value measurement (continued)

actual fair value. These classes of assets are specialised in nature and not readily brought or sold on the open market thus the valuation technique adopted is the cost approach utilising the depreciated replacement cost concept. The following inputs are used where necessary:

- Pattern of Consumption
- Components
- Useful life
- Asset Condition
- Dimensions and specifications
- Relationship between condition rating and value (determining remaining life, useful life, etc.)
- Unit Rates

The asset classes other structures, land improvements, other recreational-open space assets, roads, footpaths, bulk earthworks and stormwater drainage are included in level 3 of the hierarchy with the key unobservable inputs being condition rating, useful life and remaining life.

Other structures and land improvements (subsequently reclassified to include other recreational-open space assets) were last independently re-valued by Australis Asset Advisory Group as at 30 June 2017. Stormwater drainage was last re-valued as at 30 June 2017. Roads, Bridges and Footpaths (subsequently reclassified to roads, footpaths and bulk earthworks) was last independently re-valued by Assetic Pty Ltd as at 30 June 2017.

Georges River Council

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

Note 20. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Financial Assets	Investment Properties	IPP&E	Total
Opening balance – 13/5/16	55,037	15,100	1,195,257	1,265,394
Purchases (GBV)	27,002	–	27,937	54,939
Disposals (WDV)	(10,504)	–	(4,858)	(15,362)
Depreciation and impairment	–	–	(17,231)	(17,231)
FV gains – other comprehensive income	–	–	12,575	12,575
FV gains – Income Statement ¹	533	1,245	(3,732)	(1,954)
Other movement	–	–	(64)	(64)
Closing balance – 30/6/17	72,068	16,345	1,209,884	1,298,297
Purchases (GBV)	8,551	–	34,076	42,627
Disposals (WDV)	(7,500)	–	(2,406)	(9,906)
Depreciation and impairment	–	–	(17,961)	(17,961)
FV gains – other comprehensive income	–	–	10,519	10,519
FV gains – Income Statement ¹	369	1,455	–	1,824
Other movement	–	–	147	147
Closing balance – 30/6/18	73,488	17,800	1,234,259	1,325,547

Georges River Council

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

Note 20. Fair value measurement (continued)

(4). Fair value measurements using significant unobservable inputs (level 3)

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/06/18) \$'000	Valuation Technique(s)	Key unobservable inputs
Financial Assets	73,488	Market Approach	· Unit Price
Investment property	17,800	Income or Market Approach	· Estimated rental value (per sq mtr) · Rental Yield · Open Market Value
· Plant and Equipment	12,288	Cost Approach	· Gross Replacement Cost
· Office Equipment			· Remaining Useful Life
· Furniture and Fittings			
· Library Collection			· Residual Value
<u>Land</u>	418,401	Market Approach	· Price per square metre
· Operational Land			· Discount rate to account for zoning and other constraints on development and the potential for alternative use.
· Community Land		VG value (price per square metre)	
· Council Controlled Land			
· Land Under Roads			
· Other Structures, Land Improvements	58,914	Cost Approach	· Condition
· Other Recreational and Open Space Assets			· Useful and Remaining Life
			· Unit Rates
<u>Buildings</u>	156,066	Cost Approach	· Condition
			· Useful and Remaining Life
· Specialised			· Component replacement rates
· Non-Specialised		· Allowance for economic and functional obsolescence	
<u>Infrastructure</u>	504,572	Cost Approach	· Condition
· Roads			· Useful and Remaining Life
· Footpaths			
· Bulk Earthworks		· Residual Value	
· Stormwater drainage	71,218	Cost Approach	· Condition
			· Useful and Remaining Life
			· Unit Rates
			· Residual Value

Georges River Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

c. The valuation process for level 3 fair value measurements

Asset Category	Valuation Frequency	Description of Process	Valuer	Responsibility
Financial assets	Monthly	Monthly valuation using the current price in an active market for similar assets	External	Finance Department
Investment Properties	Annually	Full External Valuation every 3 years with an appropriate index utilised in between years	External / Internal	Strategic Property / Finance Department
Infrastructure	Each class every 5 years	Full valuation using current unit rates	Internal	Assets & Infrastructure Directorate/Finance Department
Plant and equipment, office equipment and furniture and fittings	5 years	Assessment of remaining useful life undertaken annually which impacts on the fair value	Internal	Finance Department
Operational land	5 years	Full valuation every 5 years or index applied	External	Assets & Infrastructure Directorate / Finance Department
Community land	3 years	Valuer General Land Values or Average Unit Rate for similar properties if not available	Valuer General/Internal	Finance Department
Buildings – non specialised and specialised	5 years	Full valuation every 5 years or index applied	External/Internal	Assets & Infrastructure Directorate / Finance Department
Land improvement non-depreciable	5 years	Full valuation every 5 years or index applied	Internal	Assets & Infrastructure Directorate / Finance Department
Other structures	5 years	Full valuation every 5 years or index applied	External	Assets & Infrastructure Directorate / Finance Department
Library books		Assessment of remaining useful life undertaken annually which impacts on the fair value	Internal	Library / Finance Departments

(5). Highest and best use

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

Georges River Council

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

Note 21. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018 (\$'000)
Short-term benefits	2,432
Post-employment benefits	146
Other long-term benefits	117
Total	2,695

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
2018	Ref	(\$'000)	(\$'000)		(\$'000)	(\$'000)
Supply of Storage system	1	22	–	30 day terms on invoice	–	–

c. Other related party transactions

Patron of District Cricket Association	2	1	–		–	–
Patron of District Cricket Association	3	2	–		–	–

Georges River Council

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

Note 22. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	351	–	–	13	(66)	–	298	–
Roads	23	54	–	1	–	–	78	–
Traffic facilities	1,726	225	–	55	–	–	2,006	–
Parking	790	–	–	26	(69)	–	747	–
Open space	17,387	7,324	–	615	(140)	–	25,186	–
Community facilities	12,419	1,132	–	470	(2,913)	–	11,107	–
Library	3,796	217	–	149	(314)	–	3,848	–
Urban space	19	119	–	5	–	–	143	–
Management	246	32	–	11	–	–	289	–
Open space, recreation and public domain facilities	19,819	3,017	–	823	(5,285)	–	18,374	–
Deficient car parking	411	–	–	17	–	–	428	–
Non residential development in CBD	254	63	–	12	–	–	329	–
S7.11 contributions – under a plan	57,240	12,182	–	2,197	(8,787)	–	62,832	–
S7.12 levies – under a plan	1,088	1,523	–	23	(10)	–	2,624	–
Total S7.11 and S7.12 revenue under plans	58,328	13,705	–	2,220	(8,797)	–	65,456	–
Total contributions	58,328	13,705	–	2,220	(8,797)	–	65,456	–

Georges River Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – repealed from 14 March 2013

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	335	–	–	13	(66)	–	282	–
Traffic facilities	261	45	–	12	–	–	318	–
Parking	447	–	–	17	(69)	–	395	–
Open space	1,127	914	–	76	–	–	2,117	–
Community facilities	7,760	414	–	285	(2,901)	–	5,558	–
Library	3,796	217	–	149	(314)	–	3,848	–
Urban space	19	119	–	5	–	–	143	–
Management	246	32	–	11	–	–	289	–
Total	13,991	1,741	–	568	(3,350)	–	12,950	–

CONTRIBUTION PLAN – commenced 14 March 2013

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	3,029	435	–	137	–	–	3,601	–
Open space, recreation and public domain facilities	19,819	3,017	–	823	(5,285)	–	18,374	–
Deficient car parking	242	–	–	10	–	–	252	–
Non residential development in CBD	254	63	–	12	–	–	329	–
Deficient car parking	168	–	–	7	–	–	175	–
Total	23,513	3,515	–	989	(5,285)	–	22,732	–

Georges River Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – NUMBER 1 – Roads & Traffic Management

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	23	54	–	1	–	–	78	–
Total	23	54	–	1	–	–	78	–

CONTRIBUTION PLAN NUMBER 3 – Car Parking – Hurstville Town Centre

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	343	–	–	9	–	–	352	–
Total	343	–	–	9	–	–	352	–

CONTRIBUTION PLAN NUMBER 4 – Streetscape Improvement – Hurstville Town Centre

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	530	–	–	14	–	–	544	–
Total	530	–	–	14	–	–	544	–

CONTRIBUTION PLAN NUMBER 5 – Open Space (2006) – Embellishment & Acquisition

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	8,580	2,585	–	255	(140)	–	11,280	–
Total	8,580	2,585	–	255	(140)	–	11,280	–

Georges River Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 6 – Hurstville south ares

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	1,243	–	–	33	–	–	1,276	–
Total	1,243	–	–	33	–	–	1,276	–

CONTRIBUTION PLAN NUMBER 8 – Kogarah Town Centre

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	16	–	–	–	–	–	16	–
Traffic facilities	1,465	180	–	43	–	–	1,688	–
Open space	5,907	3,825	–	237	–	–	9,969	–
Community facilities	151	68	–	5	–	–	224	–
Total	7,539	4,073	–	285	–	–	11,897	–

CONTRIBUTION PLAN NUMBER 9 – Kogarah Libraries – Buildings & Books

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	102	214	–	6	(12)	–	310	–
Total	102	214	–	6	(12)	–	310	–

Georges River Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN – Ramsgate commercial centre

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,377	–	–	37	–	–	1,414	–
Total	1,377	–	–	37	–	–	1,414	–

CONTRIBUTION PLANS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Georges River Council Section 94A	1,088	1,523	–	23	(10)	–	2,624	–
Total	1,088	1,523	–	23	(10)	–	2,624	–

Georges River Council

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

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(3,291)</u>	-2.57%	11.33%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>128,292</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>118,854</u>	78.49%	76.22%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>151,420</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>97,057</u>	3.86x	4.38x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>25,139</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>15,233</u>	25.82x	45.95x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>590</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>2,770</u>	3.00%	2.66%	< 5% metro
Rates, annual and extra charges collectible	<u>92,369</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>108,550</u>	10.88 mths	9.5 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>9,978</u>			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Notes 12 and 13.

⁽⁴⁾ Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Georges River Council

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

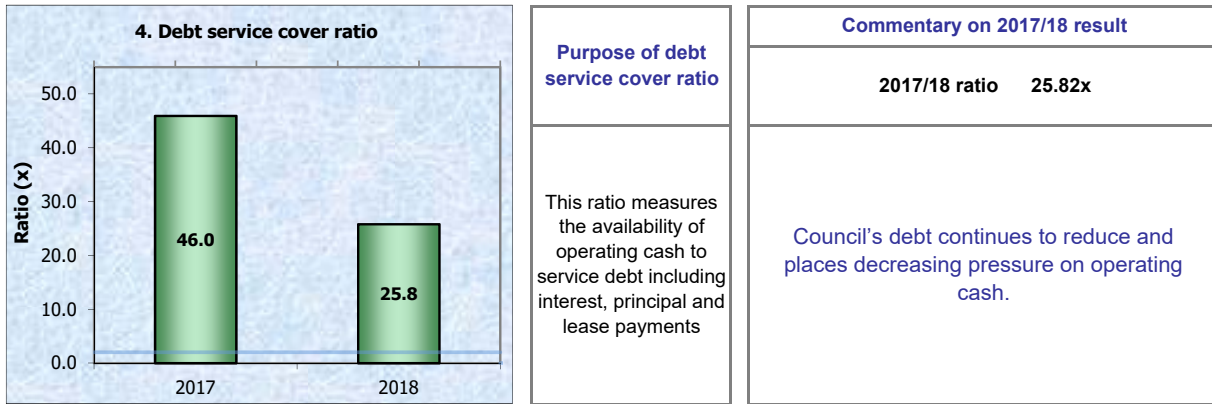
Note 23(b). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio -2.57%</p> <p>Council does not generate sufficient "own" income to cover operating expenditure and is to be addressed as a priority in the immediate future. The operating performance ratio in 2017 was favourably impacted as a result of one off receipts of a "New Council Implementation Grant", settlement of a litigation and an advance receipt of an instalment of the Financial Assistance Grant.</p>
<p>Benchmark: ■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>		
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 78.49%</p> <p>An increase in revenue from council's own sources shows reduced reliance on grants and contributions to fund its ongoing operations.</p>
<p>Benchmark: ■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>		
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 3.86x</p> <p>The current ratio of 3.9, which is well above the norm of 1.5, continues to be strong despite an increase in liabilities consequent to increased receipts of bonds/deposits.</p>
<p>Benchmark: ■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>		

Georges River Council

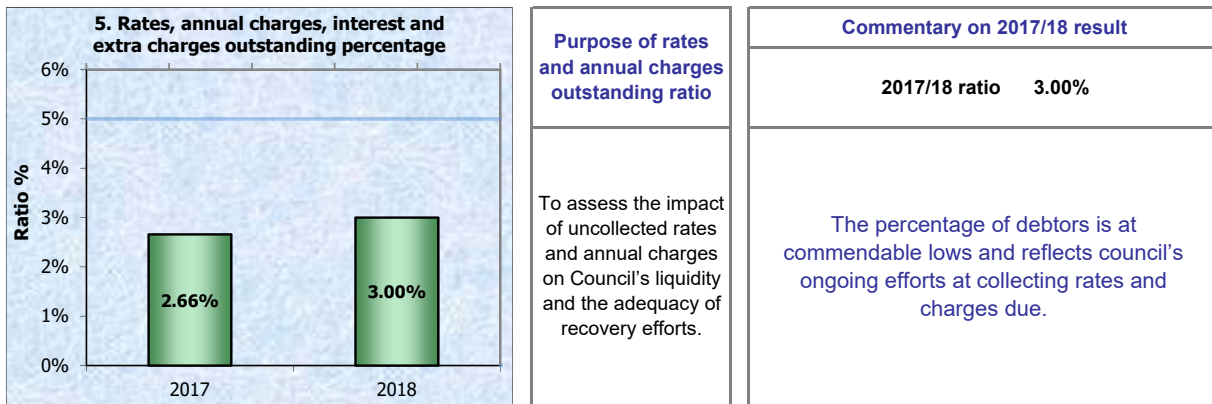
Notes to the Financial Statements for the year ended 30 June 2018

Note 23(b). Statement of performance measures – consolidated results (graphs)



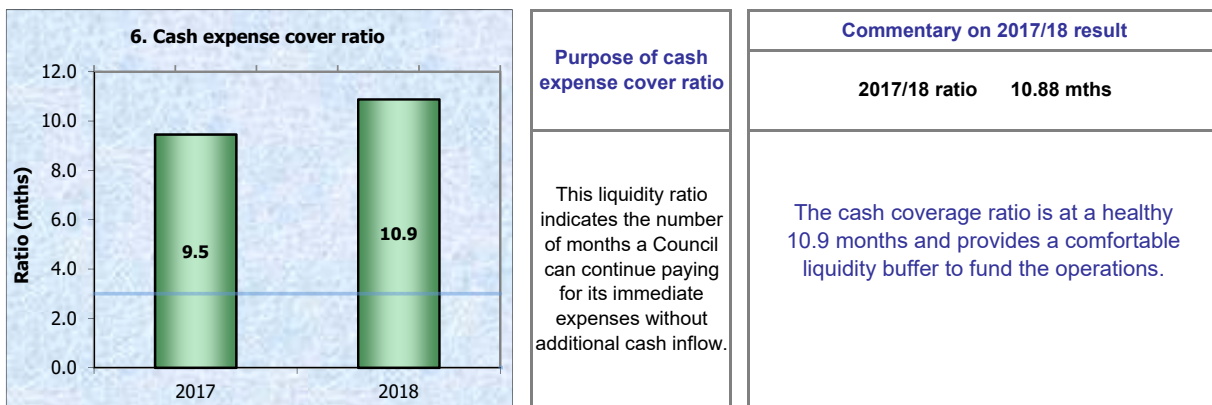
Benchmark: Minimum ≥ 2.00
 Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Maximum $< 5.00\%$
 Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: Minimum ≥ 3.00
 Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Georges River Council

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

Note 24. Council information and contact details

Principal place of business:

Corner MacMahon and Dora Streets
HURSTVILLE NSW 2220

Contact details

Mailing address:

PO Box 205
HURSTVILLE BC NSW 1481

Opening hours:

8.30am - 5.00pm, Monday to Friday

Telephone: 02 9330 6400

Facsimile: 02 9330 6223

Internet: www.georgesriver.nsw.gov.au

Email: mail@georgesriver.nsw.gov.au

Officers

GENERAL MANAGER

Gail Connolly

RESPONSIBLE ACCOUNTING OFFICER

David Tuxford

PUBLIC OFFICER

Juliette Hall

AUDITORS

Audit Office of New South Wales
Level 15
1 Margaret Street
Sydney NSW 2220

Other information

ABN: 57 789 014 855

Elected members

MAYOR

Kevin Greene

COUNCILLORS

Christina Wu
Colleen Symington
Con Hindi
Kathryn Landsberry
Leesha Payor
Lou Konjarski
Nancy Liu
Nick Katris
Rita Kastanias
Sam Elmir (Deputy Mayor)
Sandy Grekas
Stephen Agius
Vince Badalati
Warren Tegg



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Georges River Council

To the Councillors of the Georges River Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

30 October 2018
SYDNEY

Cr Kevin Greene
Mayor
Georges River Council
Cnr MacMahon and Dora Streets
Hurstville NSW 2220

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D1826755/FA1728

30 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Georges River Council**

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

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

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

INCOME STATEMENT

Operating result

	2018 \$m	2017* \$m	Variance %
Rates and annual charges revenue	89.3	90.6	↓ 1.4
Grants and contributions revenue	32.6	40.6	↓ 19.7
Operating result for the year	22.4	40.4	↓ 44.6
Net operating result before capital amounts	(0.8)	22.9	↓ 103.5

* 13 May 2016 to 30 June 2017

Council's operating result (\$22.4 million including the effect of depreciation and amortisation expense of \$18.4 million) was \$18.0 million lower than the 2016–17 result. This was mainly due to the one off grants in 2016-17 of and the \$7.5 million receipt on settlement of CDO litigation.

The net operating result before capital grants and contributions was a deficit of \$(769,000) in 2017-18, \$23.7 million lower than the 2016–17 result.

Rates and annual charges revenue (\$89.3 million) decreased by \$1.3 million (1.4 per cent) in 2017–2018 as 2016-17 due to lower domestic waste revenue.

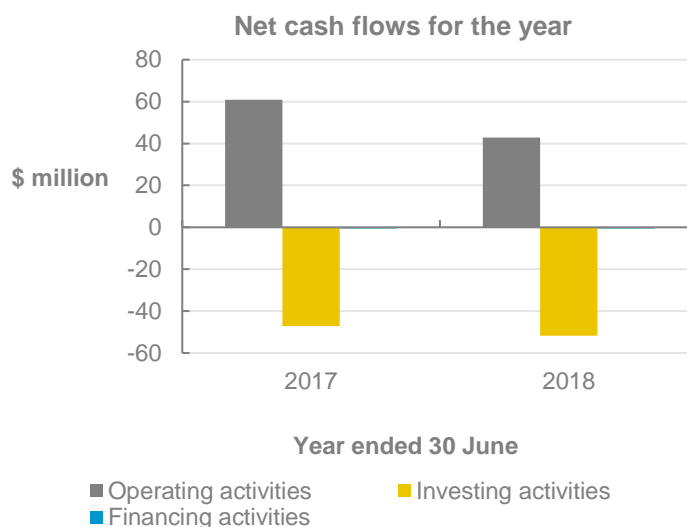
Grants and contributions revenue (\$32.6 million) decreased by \$8.0 million (19.7 per cent) in 2017–18 due to reasons noted above and the timing of financial assistance grants from the Commonwealth.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$9.3 million to \$16.5 million at the close of the year.

Cash inflows from operating activities decreased from 2016-17 due to lower investment revenue and grants.

Increased cash outflows from investing activities was due to net investment outflow of \$17 million coupled with \$35.9 million spending on infrastructure property, plant and equipment.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	96.0	77.7	• External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	77.1	83.5	
Unrestricted	8.9	12.7	
Cash and investments	182.0	173.9	<ul style="list-style-type: none"> • Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.

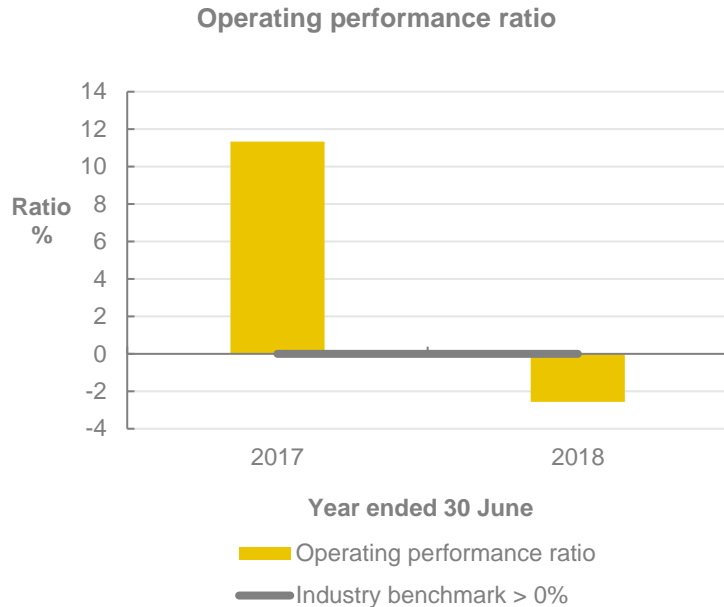
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- Council did not reach the benchmark of zero per cent.
- The operating performance ratio has decreased from last year as operating grants and interest revenue has reduced, while capital developer's contributions have increased.

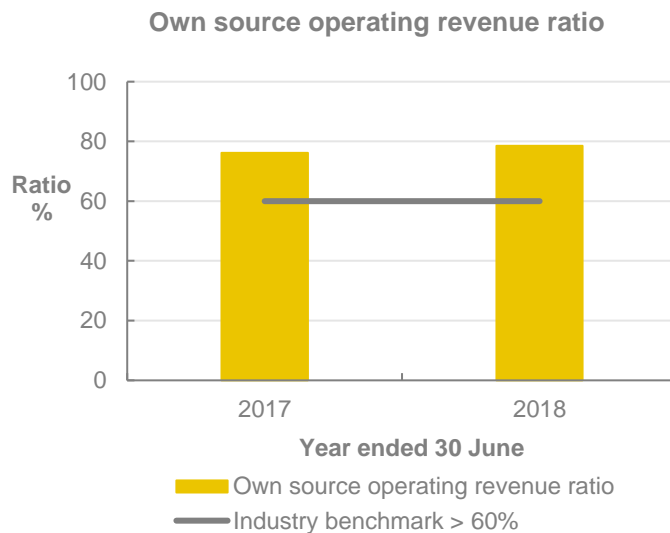
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 78.49 per cent exceeded the industry benchmark. This reflects the significance of rates and user charges as funding sources for Council.
- The increase in this ratio during the year reflects reduced reliance on grants.

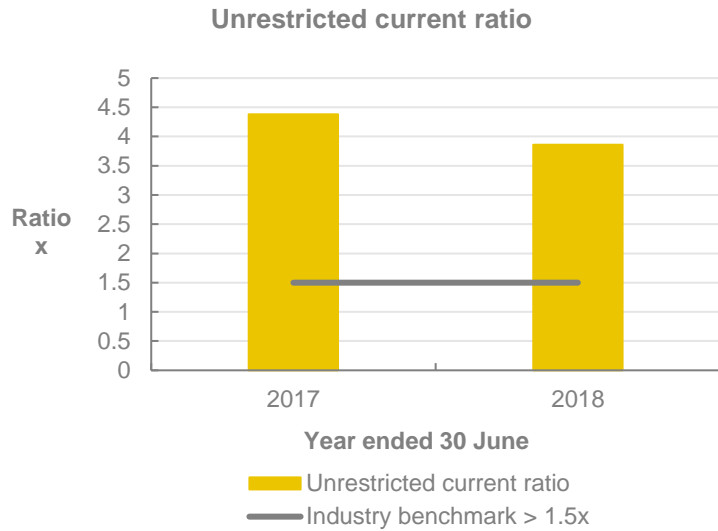
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council continues to exceed the benchmark.
- This ratio indicated Council currently had \$3.86 of unrestricted current assets available to service each dollar of its unrestricted current liabilities.
- There has been a slight decrease in this ratio during the year, due to increased restrictions on cash held.

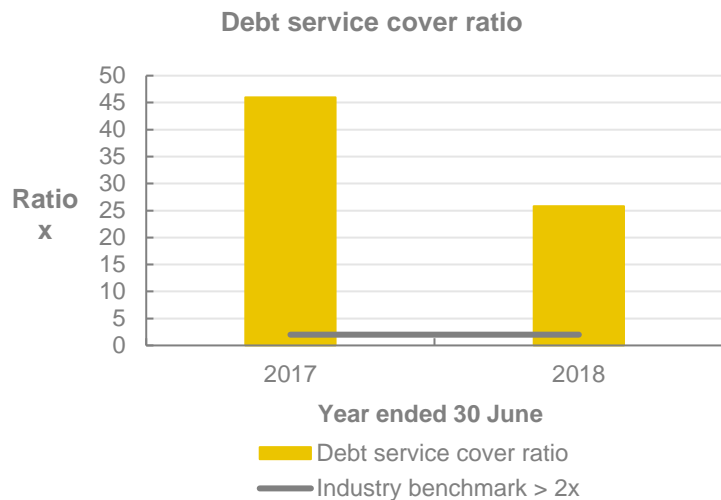
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 25.82 times exceeded the industry benchmark. Council has low levels of debt.

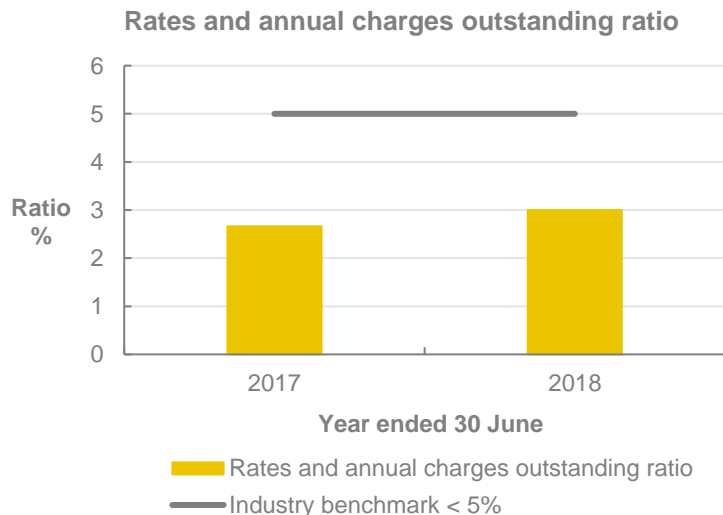
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 3 per cent was within the industry benchmark.
- Management attribute the result to its recovery efforts.

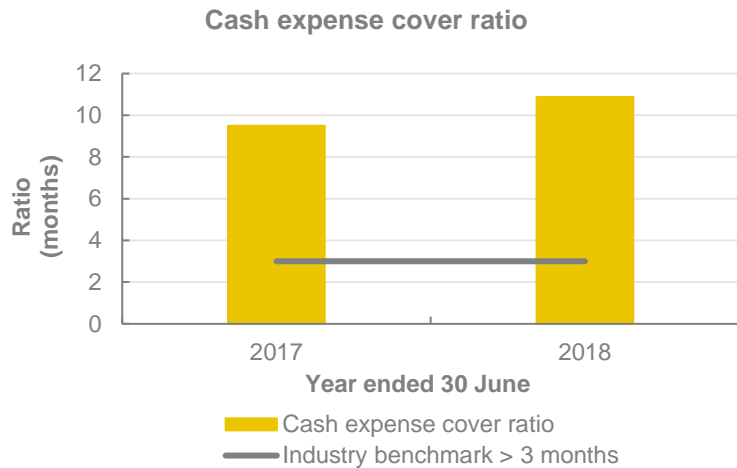
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 10.88 months exceeded the industry benchmark.
- The ratio increased in 2017-18 as cash balances have increased and payments have reduced as compared to 2016-17.

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

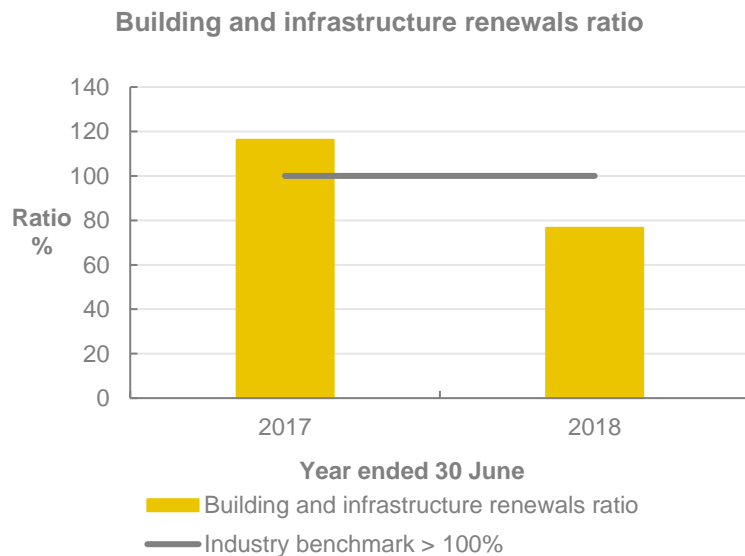


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 76.62 per cent did not meet the industry benchmark.
- Council's building and infrastructure renewals ratio has declined and demonstrates lower investment in the renewal of existing infrastructure.

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

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



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 12.

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or after 1 July 2016

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

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

Legislative compliance

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

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



Karen Taylor
Director, Financial Audit Services

Georges River Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

**A leading, people-focused organisation
delivering outstanding results for our
community and city.**



Georges River Council

Special Schedules for the year ended 30 June 2018

Contents

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Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	6
Special Schedule 7	Report on Infrastructure Assets	9

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

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Georges River Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	4,771	32	–	(4,739)
Administration	34,344	4,072	432	(29,840)
Public order and safety				
Fire service levy, fire protection, emergency services	2,232	111	–	(2,121)
Beach control	–	–	–	–
Enforcement of local government regulations	919	193	–	(726)
Animal control	258	137	–	(121)
Other	–	–	–	–
Total public order and safety	3,409	441	–	(2,968)
Health	950	332	–	(618)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	268	1	487	220
Solid waste management	20,053	25,216	–	5,163
Street cleaning	4,864	5	–	(4,859)
Drainage	523	286	674	437
Stormwater management	–	–	–	–
Total environment	25,708	25,508	1,161	961
Community services and education				
Administration and education	3,142	521	151	(2,470)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	5,172	5,450	–	278
Total community services and education	8,314	5,971	151	(2,192)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	2,155	328	–	(1,827)
Town planning	6,467	5,363	18,343	17,239
Other community amenities	–	–	–	–
Total housing and community amenities	8,622	5,691	18,343	15,412

Georges River Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	6,736	368	101	(6,267)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	1,480	436	–	(1,044)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	1,254	243	–	(1,011)
Sporting grounds and venues	–	–	–	–
Swimming pools	2,121	1,731	–	(390)
Parks and gardens (lakes)	11,002	240	1,661	(9,101)
Other sport and recreation	2,684	763	19	(1,902)
Total recreation and culture	25,278	3,781	1,781	(19,716)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	2,196	1,165	–	(1,031)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	2,196	1,165	–	(1,031)
Transport and communication				
Urban roads (UR) – local	6,899	1,722	38	(5,139)
Urban roads – regional	676	725	1,222	1,271
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	1,118	2,699	–	1,581
Footpaths	1,216	429	–	(787)
Aerodromes	–	–	–	–
Other transport and communication	4,638	88	–	(4,550)
Total transport and communication	14,547	5,663	1,260	(7,624)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	3,444	6,518	–	3,074
Total economic affairs	3,444	6,518	–	3,074
Totals – functions	131,583	59,174	23,128	(49,281)
General purpose revenues ⁽¹⁾		71,640		71,640
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	131,583	130,814	23,128	22,359

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Georges River Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2017/18	2017/18
		Former Hurstville City Council	Former Kogarah City Council	Georges River Council	Former Kogarah City Council	Georges River Council
Notional general income calculation ⁽¹⁾						
Last year notional general income yield	a	37,807	28,003	65,810	27,536	64,541
Plus or minus adjustments ⁽²⁾	b	181	(8)	173	52	495
Notional general income	c = (a + b)	37,988	27,995	65,983	27,588	65,036
Permissible income calculation						
Special variation percentage ⁽³⁾	d	0.00%	0.00%		0.00%	
Or rate peg percentage	e	2.30%	2.30%		1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%		1.50%	
Less expiring special variation amount	g	–	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–	–
Or plus rate peg amount	i = c x e	874	644	1,518	–	562
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	414	414
Sub-total	k = (c + g + h + i + j)	38,862	28,639	67,501	28,002	66,012
Plus (or minus) last year's carry forward total	l	218	(28)	190	(29)	(16)
Less valuation objections claimed in the previous year	m	(2)	(2)	(4)	–	–
Sub-total	n = (l + m)	216	(30)	186	(29)	(16)
Total permissible income	o = k + n	39,077	28,609	67,686	27,973	65,996
Less notional general income yield	p	38,861	28,639	67,500	28,003	65,810
Catch-up or (excess) result	q = o – p	216	(30)	186	(30)	186
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–	2	4
Less unused catch-up ⁽⁵⁾	s	–	–	–	–	–
Carry forward to next year	t = q + r – s	216	(30)	186	(28)	190

Georges River Council

Special Schedule 2 – Permissible income for general rates (continued) for the year ended 30 June 2019

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Georges River Council

To the Councillors of Georges River Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in blue ink, appearing to read 'Karen Taylor', with a stylized, cursive script.

Karen Taylor
Director, Financial Audit Services

30 October 2018
SYDNEY

Georges River Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	1,504	6,015	3,394	3,943	156,068	232,458	10%	31%	57%	3%	0%
	Sub-total	1,504	6,015	3,394	3,943	156,066	232,458	9.8%	30.9%	56.6%	2.7%	0.0%
Other structures	Other structures	–	–	47	65	9,685	15,602	79%	6%	15%		0%
	Sub-total	–	–	47	65	9,685	15,602	79.3%	5.7%	15.1%	0.0%	-0.1%
Roads	Sealed roads incl K&G	6,472	40,334	4,771	3,539	346,787	529,884	30%	38%	28%	3%	0%
	Footpaths	2,003	8,535	871	2,609	35,230	73,962	17%	43%	32%	6%	3%
	Other road assets	15	–	102	–	7,525	15,368	35%	33%	32%	0%	0%
	Sub-total	8,490	48,869	5,744	6,148	389,542	619,214	28.8%	38.8%	28.7%	3.3%	0.3%

Georges River Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	2,922	3,886	1,757	1,477	71,219	143,307	10%	40%	46%	3%	0%
	Sub-total	2,922	3,886	1,757	1,477	71,218	143,307	10.3%	40.3%	45.8%	3.2%	0.4%
Open space/recreational assets	Other	1,562	8,583	8,280	10,395	49,229	74,305	30%	37%	27%	5%	1%
	Sub-total	1,562	8,583	8,280	10,395	49,229	74,305	30.0%	37.0%	27.0%	5.0%	1.0%
TOTAL – ALL ASSETS		14,478	67,353	19,222	22,028	675,740	1,084,886	23.1%	36.7%	36.6%	3.2%	0.3%

Notes:

- a Required maintenance is the amount identified in Council's asset management plans.
b Satisfactory Standard - meets most program / service delivery needs with some inefficiencies and ineffectiveness present
c Agreed Level of Service - provided by the asset matches the expectations of the Community

Infrastructure asset condition assessment 'key'

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

Georges River Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>11,210</u>	76.62%	116.27%	>= 100%
Depreciation, amortisation and impairment	<u>14,631</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>14,478</u>	2.14%	1.81%	< 2.00%
Net carrying amount of infrastructure assets	<u>675,740</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>22,028</u>	114.60%	127.91%	> 100%
Required asset maintenance	<u>19,222</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>67,353</u>	5.61%	3.83%	
Gross replacement cost	<u>1,199,916</u>			

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

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

Georges River Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Ratio %</p> <p>2017 2018</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 76.62%</p> <p>Numerous renewal projects were still in progress as at 30 June this has resulted in lower renewal expenditure. Entire Infrastructure class of assets were revalued in 2016/17 which has resulted higher depreciation for 2017/18</p>
<p>2. Infrastructure backlog ratio</p> <p>Ratio %</p> <p>2017 2018</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 2.14%</p> <p>Reassessment of Footpath and Roads rating criteria, resulting in an increase in the estimated cost to bring assets to a satisfactory standard</p>
<p>3. Asset maintenance ratio</p> <p>Ratio %</p> <p>2017 2018</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 114.60%</p> <p>2016/17 ratio was based on 413 days due to amalgamation period</p>
<p>4. Cost to bring assets to agreed service level</p> <p>Ratio %</p> <p>2017 2018</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 5.61%</p> <p>Increase due to reassessment of Footpath and Roads rating criteria</p>