

Georges River Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

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



Georges River Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Georges River Council.
- (ii) Georges River Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA). This is the first Financial Statements for Georges River Council (former Hurstville City Council and Kogarah City Council) for the period of 13 May 2016 to 30 June 2017.

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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 14 November 2017. Council has the power to amend and reissue these financial statements.

Georges River Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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 period 13 May 2016 to 30 June 2017.

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 period of 13 May 2016 to 30 June 2017, listing all income and expenses.

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 period 13 May 2016 to 30 June 2017

Statement by Administrator 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 professional pronouncements, and
- 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 period 13 May 2016 to 30 June 2017, and
- 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 Georges River Council made on 4 September 2017.



John Rayner
Administrator



Gail Connolly
Interim General Manager



Rob Owens
Responsible Accounting Officer

Georges River Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	90,606
User charges and fees	3b	15,039
Interest and investment revenue	3c	14,177
Other revenues	3d	11,979
Grants and contributions provided for operating purposes	3e,f	23,078
Grants and contributions provided for capital purposes	3e,f	17,491
<i>Other income:</i>		
Net gains from the disposal of assets	5	7,536
Total income from continuing operations		179,906
Expenses from continuing operations		
Employee benefits and on-costs	4a	60,050
Borrowing costs	4b	139
Materials and contracts	4c	39,851
Depreciation and amortisation	4d	17,623
Other expenses	4e	21,826
Total expenses from continuing operations		139,489
Operating result from continuing operations		40,417
Net operating result for the period		40,417
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	1,323,295
Net result for the period		1,363,712
Net operating result attributable to Council		1,363,712
Net operating result for the period before grants and contributions provided for capital purposes and gain on amalgamation		22,926

Georges River Council

Statement of Comprehensive Income for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		1,363,712
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E	20b (ii)	12,575
Total items which will not be reclassified subsequently to the operating result		12,575
Amounts which will be reclassified subsequently to the operating result when specific conditions are met		
Nil		
Total other comprehensive income for the period		12,575
Total comprehensive income for the period		1,376,287
Total comprehensive income attributable to Council		1,376,287

Georges River Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	25,812
Investments	6b	100,568
Receivables	7	8,228
Inventories	8	300
Other	8	582
Total current assets		135,490
Non-current assets		
Investments	6b	47,541
Receivables	7	873
Infrastructure, property, plant and equipment	9	1,209,884
Investment property	14	16,345
Intangible assets	25	1,878
Total non-current assets		1,276,521
TOTAL ASSETS		1,412,011
LIABILITIES		
Current liabilities		
Payables	10	18,338
Income received in advance	10	362
Borrowings	10	500
Provisions	10	14,113
Total current liabilities		33,313
Non-current liabilities		
Borrowings	10	2,125
Provisions	10	286
Total non-current liabilities		2,411
TOTAL LIABILITIES		35,724
Net assets		1,376,287
EQUITY		
Retained earnings	20	1,363,712
Revaluation reserves	20	12,575
Council equity interest		1,376,287
Total equity		1,376,287

Georges River Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17			Retained	Asset revaluation reserve (Refer 20b)	Council interest	Total equity
\$ '000	Notes		earnings			
Opening balance		-	-	-	-	-
a. Correction of prior period errors	20 (c)	-	-	-	-	-
b. Changes in accounting policies (prior year effects)	20 (d)	-	-	-	-	-
Revised opening balance		-	-	-	-	-
c. Net result for the year		1,363,712	-	1,363,712	1,363,712	1,363,712
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	-	12,575	12,575	12,575	12,575
Other comprehensive income		-	12,575	12,575	12,575	12,575
Total comprehensive income (c&d)		1,363,712	12,575	1,376,287	1,376,287	1,376,287
e. Distributions to/(contributions from) non-controlling interests		-	-	-	-	-
f. Transfers between equity		-	-	-	-	-
Equity – balance at end of the reporting period		1,363,712	12,575	1,376,287	1,376,287	1,376,287

Georges River Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		102,792
User charges and fees		14,258
Investment and interest revenue received		13,441
Grants and contributions		40,237
Bonds, deposits and retention amounts received		1,694
Other		16,995
Payments:		
Employee benefits and on-costs		(61,528)
Materials and contracts		(43,750)
Borrowing costs		(139)
Bonds, deposits and retention amounts refunded		(2,153)
Other		(21,041)
Net cash provided (or used in) operating activities	11b	60,806
Cash flows from investing activities		
Receipts:		
Sale of investment securities		67,308
Sale of infrastructure, property, plant and equipment		12,394
Payments:		
Purchase of investment securities		(99,847)
Purchase of infrastructure, property, plant and equipment		(26,906)
Net cash provided (or used in) investing activities		(47,051)
Cash flows from financing activities		
Receipts:		
Nil		
Payments:		
Repayment of borrowings and advances		(625)
Net cash flow provided (used in) financing activities		(625)
Net increase/(decrease) in cash and cash equivalents		13,130
Plus: cash and cash equivalents – beginning of year	11a	–
Plus: cash transferred on amalgamation of councils	29	12,682
Cash and cash equivalents – end of the year	11a	25,812
plus: Investments on hand – end of year	6b	148,109
Total cash, cash equivalents and investments		173,921

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

This statement should be read in conjunction with the accompanying notes.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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n/a – not applicable

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

The Local Government (Council Proclamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of two former councils:

- Hurstville City Council
- Kogarah City Council

to Georges River Council as at 12 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Georges River Council, being 12 May 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Georges River Council has as a result of a comprehensive revaluation recognised former councils' assets at their fair value as at the date of transfer 12 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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.

(i) New and amended standards adopted by Council

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

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period on or after 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and 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
- (ii) Estimated fair values of infrastructure, property, plant and equipment,

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

(i) Rates, annual charges, grants and contributions

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.

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

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

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

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- General purpose operations.

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) 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.

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.

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

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not 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.

(f) 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

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

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

(i) Investments and other financial assets

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

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(ii) Loans and receivables

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and 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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(i) Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When

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

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) Fair value estimation – financial instruments

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

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

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

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

As a result of the amalgamation Buildings and Infrastructure assets have been revalued to fair value. Community land was revalued with the latest Valuer General Valuations. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Other open space/recreational assets
- Other infrastructure

Internally valued:

- Plant and equipment
- Stormwater drainage
- Other assets

As approximated by depreciated historical cost:

- Plant and equipment
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the

asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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.

Depreciation

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

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	3 to 4 years
- Vehicles	3 to 8 years
- Heavy plant/road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 60 years

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Stormwater assets

- Drains	80 to 150 years
- Culverts	50 to 150 years

Transportation assets

- Sealed roads: surface	25 to 40 years
- Sealed roads: structure	50 to 100 years
- Road pavements	60 to 80 years
- Kerb, gutter and footpaths	40 to 100 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	50 to 75 years
- Other open space/ recreational assets	5 to 100 years
- Other infrastructure	5 to 100 years

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

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

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

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

(m) 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.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(o) Borrowing costs

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

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave 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.

(iii) Retirement benefit obligations

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Defined Contribution 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.

(r) Land under roads

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

Council has elected not to recognise 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.

(s) Self-insurance

Council does not self-insure.

(t) 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.

(u) Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

(v) Rural fire service assets

Council does not control or recognise any Rural Fire Service assets in the Financial Statements.

(w) Goods and Services Tax (GST)

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

(x) 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.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*

AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

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

AASB 9 *Financial Instruments (December 2009)*

AASB 15 *Revenue from Contracts with Customers*

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*AASB 1057 *Application of Australian Accounting Standards*

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

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

AASB 16 *Leases*

AASB 16 *Leases (Appendix D)*

AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

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.

(y) Rounding of amounts

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

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	3	1,554	(1,551)	–	581
Assets and Infrastructure	21,413	52,745	(31,332)	13,474	1,238,606
Environment and Planning	44,263	34,654	9,609	627	80,581
Community and Culture	18,030	21,413	(3,382)	2,972	10,458
Operational Support	1,735	22,259	(20,524)	–	38,294
Office of the General Manager	3,448	4,737	(1,289)	–	36,750
Transformation and Change	10,421	2,127	8,294	10,000	6,741
Total functions and activities	99,314	139,489	(40,175)	27,074	1,412,011
General purpose income ¹	80,593	–	80,593	6,695	–
Operating result from continuing operations	179,906	139,489	40,417	33,769	1,412,011

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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 94 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

OPERATIONAL SUPPORT

Includes Financial Services, Risk Management, Emergency Management Contribution, General Rates And Services, Workers Compensation, Human Resources/Recruitment, Information Management & 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 period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

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

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 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)		62
Total user charges		62
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation		4,441
Regulatory fees		481
Section 603 certificates		204
Total fees and charges – statutory/regulatory		5,126
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care		3,903
Fire and emergency services levy (FESL) implementation		53
Leaseback fees – Council vehicles		576
Leisure centre		1,898
Restoration charges		854
Community services		10
Golf course		612
Library		141
Parks income		434
Public halls		702
Tennis courts		78
Other Jubilee Oval - ticket sales		381
Other		209
Total fees and charges – other		9,851
TOTAL USER CHARGES AND FEES		15,039

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		198
– Interest earned on investments (interest and coupon payment income)		5,913
Dividend income - CDO litigation - settlement		7,533
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)		533
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>14,177</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		198
General Council cash and investments		10,593
Restricted investments/funds – external:		
Development contributions		
– Section 94		2,094
Domestic waste management operations		257
Other externally restricted assets Town Improvement Rates		74
Other externally restricted assets LIRS Jubilee Park		78
Restricted investments/funds – internal:		
Internally restricted assets		882
<u>Total interest and investment revenue recognised</u>		<u>14,177</u>
(d) Other revenues		
Fair value increments – investment properties	14	1,245
Rental income – investment properties	14	1,586
Rental income – other council properties		2,856
Ex gratia rates		3
Fines		1,854
Fines – parking		2,906
Legal fees recovery – rates and charges (extra charges)		91
Legal fees recovery – other		366
Commissions and agency fees		9
Diesel rebate		25
Insurance claim recoveries		344
Events income		129
Other		565
<u>TOTAL OTHER REVENUE</u>		<u>11,979</u>

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance	6,062	–
Pensioners' rates subsidies – general component	633	–
Total general purpose	6,695	–
Specific purpose		
Pensioners' rates subsidies:		
– Domestic waste management	158	–
Child care	2,360	–
Environmental protection	–	85
Library	284	101
LIRS subsidy	182	–
Street lighting	495	–
Transport (roads to recovery)	1,649	–
Transport (other roads and bridges funding)	–	113
Waste management	367	–
Parks	–	407
Floodplain management	–	595
New Council Implementation Fund	10,000	–
Stronger Communities Fund	–	10,000
Community services	126	90
Other	65	(3)
Total specific purpose	15,686	11,388
Total grants	22,381	11,388
Grant revenue is attributable to:		
– Commonwealth funding	10,082	110
– State funding	12,279	11,278
– Other funding	20	–
	22,381	11,388

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94 – contributions towards amenities/services		(38)	4,511
Total developer contributions	17	(38)	4,511
Other contributions:			
Kerb and gutter		–	65
RMS contributions (regional roads, block grant)		494	1,083
Contributions to legal and consultant fees		91	–
Parks – contribution by sporting club		12	16
Other Voluntary Planning Agreements		–	274
Other		138	154
Total other contributions		735	1,592
Total contributions		697	6,103
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>23,078</u>	<u>17,491</u>

\$ '000	Actual 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:	
Unexpended at the close of the previous reporting period (former Councils)	57,931
Add: grants and contributions recognised in the current period but not yet spent:	7,003
Less: grants and contributions recognised in a previous reporting period now spent:	(4,830)
Net increase (decrease) in restricted assets during the period	2,173
Unexpended and held as restricted assets	<u>60,104</u>
Comprising:	
– Specific purpose unexpended grants	1,776
– Developer contributions	58,328
	<u>60,104</u>

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		45,882
Employee termination costs (where material – other than vested leave paid)		2,246
Travel expenses		113
Employee leave entitlements (ELE)		5,188
Superannuation		3,734
Superannuation – defined benefit plans		1,051
Workers' compensation insurance		1,763
Fringe benefit tax (FBT)		304
Training costs (other than salaries and wages)		494
Other		37
Total employee costs		60,812
Less: capitalised costs		(762)
TOTAL EMPLOYEE COSTS EXPENSED		60,050
Number of 'full-time equivalent' employees (FTE) at year end		528
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on overdraft		3
Interest on loans		136
Total interest bearing liability costs expensed		139
(ii) Other borrowing costs		
Nil		
TOTAL BORROWING COSTS EXPENSED		139

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		2,490
Contractor and consultancy costs		
– Waste services		21,681
– Contractors (various services)		5,780
– Consultancy costs		3,238
Auditors remuneration ⁽¹⁾		184
Legal expenses:		
– Legal expenses: planning and development		728
– Legal expenses: other		688
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		241
IT expenses		2,518
Motor vehicle expenses		1,659
Other Maintenance of Assets		512
Other		132
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>39,851</u>

1. Auditor remuneration

a. During the year, the following fees were incurred for services provided by the Auditor-General:

(i) Audit and other assurance services

– Audit and review of financial statements: Auditor-General

114

Total Auditor-General remuneration

114

b. During the year, the following fees were incurred for services provided by the Council's other Auditors:

(i) Audit and other assurance services

– Other audit and assurance services

70

Remuneration for audit and other assurance services

70

Total Auditor remuneration

184

2. Operating lease payments are attributable to:

Computers

147

Other

94

241

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		2,678
Office equipment		359
Furniture and fittings		166
Infrastructure:		
– Buildings – non-specialised		2,045
– Buildings – specialised		1,763
– Other structures		576
– Roads		4,841
– Footpaths		724
– Stormwater drainage		1,064
– Other open space/recreational assets		2,445
Other assets		
– Library books		549
– Other		21
Intangible assets	25	392
Total depreciation and amortisation costs		17,623
Impairment		
Nil		
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		17,623

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		303
Bad and doubtful debts		70
Bank charges		100
– Department of planning levy		276
– Emergency services levy (includes FRNSW, SES, and RFS levies)		2,317
– Other contributions/levies		29
Councillor expenses – Administrator fee		275
Councillor expenses – councillors' fees		19
Advisory Committees		248
Donations, contributions and assistance to other organisations (Section 356)		425
– Donations, contributions and assistance - Stronger Community Fund		1,000
Election expenses		3
Electricity and heating		1,267
Fair value decrements – I,PP&E	9(a)	3,732
Insurance		1,246
Postage		270
Printing and stationery		462
Street lighting		2,598
Telephone and communications		482
Valuation fees		256
Catering food and beverage		284
Commission charges		665
Exhibitions, festivals and events		629
Property expenses – utilities		1,076
Property expenses – other		2,741
Memberships and subscriptions		390
Other Recruitment and Staff Well Being		348
Other		315
<u>TOTAL OTHER EXPENSES</u>		<u>21,826</u>

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Plant and equipment		
Proceeds from disposal – plant and equipment		1,643
Less: carrying amount of plant and equipment assets sold/written off		(1,336)
Net gain/(loss) on disposal		307
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets		67,308
Less: carrying amount of financial assets sold/redeemed/matured		(67,308)
Net gain/(loss) on disposal		–
Library collection		
Proceeds from disposal – Library collection		–
Less: carrying amount of Library collection assets sold/written off		(22)
Net gain/(loss) on disposal		(22)
Land		
Proceeds from disposal – Land		10,750
Less: carrying amount of Land assets sold/written off		(3,500)
Net gain/(loss) on disposal		7,250
Other		
Proceeds from disposal – Other		1
Less: carrying amount of Other assets sold/written off		–
Net gain/(loss) on disposal		1
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		7,536

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		16,578	–
Cash-equivalent assets ¹			
– Deposits at call		9,234	–
Total cash and cash equivalents		25,812	–
Investments (Note 6b)			
– Managed funds		5,565	–
– Long term deposits		28,500	47,541
– NCD's, FRN's (with maturities > 3 months)		66,503	–
Total investments		100,568	47,541
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		126,380	47,541

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'

25,812	–
---------------	----------

Investments

a. 'At fair value through the profit and loss'

– 'Held for trading'

72,068	–
--------	---

b. 'Held to maturity'

28,500	47,541
--------	--------

Investments

100,568	47,541
----------------	---------------

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Georges River Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

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

\$ '000	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
Total cash, cash equivalents and investments	126,380	47,541
attributable to:		
External restrictions (refer below)	30,171	47,541
Internal restrictions (refer below)	83,555	–
Unrestricted	12,654	–
	126,380	47,541

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
-------------------------------	--	------------------------------	-----------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	843	–	(7)	836
External restrictions – included in liabilities	843	–	(7)	836

External restrictions – other

Developer contributions – general (B)	54,405	6,566	(2,642)	58,328
Specific purpose unexpended grants (C)	3,525	438	(2,187)	1,776
Domestic waste management (D)	7,350	6,286	–	13,636
Town improvement levy	1,232	654	(242)	1,644
Special rate levy	239	42	(120)	160
Voluntary Planning Agreements	–	274	–	274
Environmental and stormwater levies	805	291	(38)	1,058
External restrictions – other	67,556	14,550	(5,230)	76,876
Total external restrictions	68,399	14,550	(5,237)	77,712

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D Domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,306	2,052	(1,267)	2,091
Infrastructure replacement	5,475	–	(5,475)	–
Employees leave entitlement	7,717	3,450	(2,054)	9,113
Carry over works	1,365	–	(1,365)	–
Deposits, retentions and bonds	5,240	–	–	5,240
Property asset	9,162	10,752	(19,914)	–
Building replacement	937	113	(1,050)	–
CBD masterplan	6,530	8	(6,537)	–
Childcare equipment	111	219	(13)	318
Election reserve	783	211	–	994
Property realignment	3,094	9	(3,103)	–
Hurstville Golf course	56	135	–	191
Golf club contribution	72	28	(100)	–
CDO recovery	320	7,533	(998)	6,855
Asset Management	–	9,831	–	9,831
Commercial Property	–	19,596	–	19,596
Strategic Centres	–	8,603	–	8,603
Office technology	136	57	(193)	–
Building maintenance	1,119	–	(1,119)	–
Revolving energy fund	116	26	(142)	–
Street decorations	76	8	(32)	52
Tree preservation	214	12	(226)	–
Financial assistance grant	–	2,063	–	2,063
Mayor's community fund	20	–	(20)	–
Environmental Sustainability	–	369	–	369
Contribution to works	922	–	(922)	–
Stronger Communities Fund	–	10,344	(1,139)	9,204
Insurance reserve	1,053	–	(1,053)	–
Investment fund	3,996	–	(3,996)	–
Legal reserve	354	–	–	354
Aquatic Facilities	–	1,939	–	1,939
Cost Savings Quarantined	–	350	–	350
New Council Implementation Fund	–	10,327	(3,936)	6,391
Other	576	–	(576)	–
Total internal restrictions	50,750	88,036	(55,230)	83,555
TOTAL RESTRICTIONS	119,149	102,586	(60,467)	161,267

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		2,140	394
Interest and extra charges		118	169
User charges and fees		1,417	241
Contributions to works		342	–
Accrued revenues			
– Interest on investments		1,623	–
– Other income accruals		707	–
Government grants and subsidies		934	–
Net GST receivable		1,156	–
Other debtors		54	69
Total		8,491	873
Less: provision for impairment			
Rates and annual charges		(14)	–
User charges and fees		(97)	–
Other debtors		(152)	–
Total provision for impairment – receivables		(263)	–
<u>TOTAL NET RECEIVABLES</u>		<u>8,228</u>	<u>873</u>
Externally restricted receivables			
Domestic waste management		600	198
Town improvement		14	9
Stormwater management		34	10
Total external restrictions		648	217
Internally restricted receivables			
Nil		–	–
Internally restricted receivables		–	–
Unrestricted receivables		7,580	656
<u>TOTAL NET RECEIVABLES</u>		<u>8,228</u>	<u>873</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.00% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Georges River Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

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

Externally restricted assets

There are no restrictions applicable to the above assets.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017	
	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 (former Councils)	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;

	2017
Real estate for resale	147
	147

(c) Inventories recognised as an expense for the year included:

– Stores and materials 324

(d) Inventory write downs

\$133,449 was recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Georges River Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period								as at 30/6/2017		
	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	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	5,272	–	5,272	–	2,111	–	–	(4,662)	(64)	–	–	2,657	–	2,657
Plant and equipment	20,206	10,062	10,144	–	2,263	(1,336)	(2,678)	23	–	–	–	19,547	11,131	8,416
Office equipment	3,391	2,542	849	651	1	–	(359)	–	–	–	–	4,043	2,901	1,142
Furniture and fittings	2,394	1,720	674	395	679	–	(166)	–	–	–	–	3,467	1,885	1,582
Land:														
– Operational land	216,757	–	216,757	–	–	(3,500)	–	–	–	–	–	213,257	–	213,257
– Community land	175,916	–	175,916	–	–	–	–	–	–	–	–	175,916	–	175,916
– 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	100,779	34,357	66,422	1,435	2,972	–	(2,045)	321	–	–	6,629	108,151	32,417	75,734
– Buildings – specialised	117,781	34,275	83,506	–	–	–	(1,763)	–	–	–	514	121,842	39,585	82,257
– Other structures	14,177	5,027	9,150	491	94	–	(576)	–	–	–	213	15,490	6,118	9,372
– Roads	533,414	179,813	353,601	7,638	352	–	(4,841)	54	–	(3,338)	–	538,412	184,946	353,466
– Footpaths	65,694	35,282	30,412	1,813	173	–	(724)	2,859	–	(393)	–	71,930	37,790	34,140
– Bulk earthworks (non-depreciable)	111,509	–	111,509	–	–	–	–	–	–	–	3,521	115,030	–	115,030
– Stormwater drainage	139,389	70,517	68,872	2,276	170	–	(1,064)	1,283	–	–	–	143,118	71,581	71,537
– Other open space/recreational assets	64,723	19,560	45,163	2,199	1,790	–	(2,445)	121	–	–	1,698	73,622	25,096	48,526
Other assets:														
– Library books	5,593	4,579	1,014	432	2	(22)	(549)	–	–	–	–	5,649	4,772	877
– Other	444	335	109	–	–	–	(21)	–	–	–	–	444	356	88
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,593,326	398,069	1,195,257	17,330	10,607	(4,858)	(17,231)	(1)	(64)	(3,732)	12,575	1,628,462	418,578	1,209,884

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management			
Plant and equipment	2,696	2,218	478
Total DWM	2,696	2,218	478
Town Improvement Rates			
Plant and equipment	26	12	14
Total other restrictions	26	12	14
TOTAL RESTRICTED I,PP&E	2,722	2,230	492

Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		5,207	–
Goods and services – capital expenditure		3,988	–
Accrued expenses:			
– Salaries and wages		116	–
– Other expenditure accruals		1,960	–
Security bonds, deposits and retentions		6,948	–
ATO Fringe Benefits Tax		46	–
Other		73	–
Total payables		18,338	–
Income received in advance			
Payments received in advance		362	–
Total income received in advance		362	–
Borrowings			
Loans – secured ¹		500	2,125
Total borrowings		500	2,125
Provisions			
Employee benefits:			
Annual leave		4,029	–
Sick leave		496	–
Long service leave		9,246	286
Gratuities		137	–
Other leave – RDO and TOIL		205	–
Total provisions		14,113	286
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		33,313	2,411
(i) Liabilities relating to restricted assets			
		2017	
		Current	Non-current
Externally restricted assets			
Domestic waste management		575	–
Liabilities relating to externally restricted assets		575	–
Internally restricted assets			
Nil			
Total liabilities relating to restricted assets		575	–
Total liabilities relating to unrestricted assets		32,738	2,411
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		33,313	2,411

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 15.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017
---------	----------------

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	7,159
Payables – security bonds, deposits and retentions	1,708
	<u>8,867</u>

Note 10b. Description of and movements in provisions

Class of provision	2016	13/5/16 to 30/6/17				Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	3,744	3,344	(3,140)	81	–	4,029
Sick leave	531	(13)	(33)	11	–	496
Long service leave	10,771	1,242	(2,628)	147	–	9,532
Other leave	157	179	(134)	4	–	205
Gratuities	216	4	(86)	3	–	137
TOTAL	15,419	4,756	(6,022)	246	–	14,399

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	25,812
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		25,812
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		40,417
Adjust for non-cash items:		
Depreciation and amortisation		17,623
Net losses/(gains) on disposal of assets		(7,536)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'		(533)
– Investment properties		(1,245)
– Write offs relating to the fair valuation of I,PP&E		3,732
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		11,170
Increase/(decrease) in provision for doubtful debts		(18)
Decrease/(increase) in inventories		114
Decrease/(increase) in other assets		227
Increase/(decrease) in payables		(28)
Increase/(decrease) in other accrued expenses payable		6
Increase/(decrease) in other liabilities		(2,103)
Increase/(decrease) in employee leave entitlements		(1,020)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		60,806

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017
(c) Non-cash investing and financing activities		
Nil		
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾		650
Credit cards/purchase cards		250
Total financing arrangements		900
Amounts utilised as at balance date:		
– Credit cards/purchase cards		34
Total financing arrangements utilised		34

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(e) Bank guarantees

Council has provided a \$10,000 security deposit guarantee issued to Sydney Water in relation to a property in the LGA.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 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		703
Plant and equipment		8
Parks		3,105
Infrastructure		1,091
Software		288
Total commitments		5,195
These expenditures are payable as follows:		
Within the next year		4,979
Later than one year and not later than 5 years		216
Later than 5 years		–
Total payable		5,195

Details of capital commitments

Buildings – construction of public amenities and renovations to various buildings

Parks – Penshurst Park Sporting Hub, Jubilee Park Adventure Playground and Sportsfield lighting

Infrastructure – Central Plaza and Paving works

Software – Library Management System

(b) Finance lease commitments

Nil

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017
(c) 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		56
Later than one year and not later than 5 years		26
Later than 5 years		–
Total non-cancellable operating lease commitments		82
b. Non-cancellable operating leases include the following assets:		
Office equipment – computers, scanners, printer/photocopier fleet		
– Lease term is 4 years for computer hardware and 5 years for printer / photocopier fleet		
– No renewal options, period can be extended or Council can pay residual and own it outright		
– No other specific conditions		
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.		
(d) Investment property commitments		
Non-capital expenditure on investment properties committed for at the reporting date but not recognised in the financial statements as liabilities:		
Contractual obligations – repairs and maintenance		96
Total commitments		96
These expenditures are payable as follows:		
Within the next year		96
Later than one year and not later than 5 years		–
Later than 5 years		–
Total payable		96

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 13a. Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	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>17,344</u>	11.33%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	153,101		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>130,023</u>	76.22%	>60.00%
Total continuing operating revenue ⁽¹⁾	170,592		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	<u>104,524</u>	4.38x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	23,871		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>35,106</u>	45.95x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	764		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	<u>2,807</u>	2.66%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	105,699		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	<u>101,853</u>	9.46 mths	> 3 mths
Payments from cash flow of operating and financing activities	10,770		

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 Note 10(a).

(4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017
(a) Investment properties at fair value		
<u>Investment properties on hand</u>		<u>16,345</u>
Reconciliation of annual movement:		
Opening balance (former Councils)		15,100
– Net gain/(loss) from fair value adjustments		<u>1,245</u>
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>16,345</u>
(b) Valuation basis		
<p>The basis of valuation of investment properties 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.</p> <p>The 2017 revaluations were based on independent assessments made by: Buildings valuations were performed by Australis Asset Advisory Group in June 2017 and Land valuations were performed by Liquid Pacific Holdings Pty Ltd in October 2016.</p>		
(c) Contractual obligations at reporting date		
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.		
(d) Leasing arrangements – Council as lessor		
Details of leased investment properties are as follows;		
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		1,466
Later than 1 year but less than 5 years		2,819
Later than 5 years		<u>–</u>
Total minimum lease payments receivable		<u>4,285</u>
(e) Investment property income and expenditure – summary		
Rental income from investment properties:		
– Minimum lease payments		1,586
Direct operating expenses on investment properties:		
– that generated rental income		<u>(628)</u>
Net revenue contribution from investment properties		<u>958</u>
plus:		
Fair value movement for year		<u>1,245</u>
Total income attributable to investment properties		<u>2,203</u>

Refer to Note 27. Fair value measurement for information regarding the fair value of investment properties held.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. 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 Amount 2017	Fair Value 2017
Financial assets		
Cash and cash equivalents	25,812	25,812
Investments		
– 'Held for trading'	72,068	72,068
– 'Held to maturity'	76,041	76,041
Receivables	9,101	9,101
Total financial assets	183,022	183,022
Financial liabilities		
Payables	18,338	18,338
Loans/advances	2,625	2,925
Total financial liabilities	20,963	21,263

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.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. 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 Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

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

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
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 period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	2017	2017
	Rates and annual charges	Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	83%	88%
Overdue	17%	12%
	<u>100%</u>	<u>100%</u>

		Rates and annual charges	Other receivables
(ii) Ageing of receivables – value			
Rates and annual charges	Other receivables		
Current	Current	2,113	5,988
< 1 year overdue	0 – 30 days overdue	354	226
1 – 2 years overdue	31 – 60 days overdue	46	180
2 – 5 years overdue	61 – 90 days overdue	18	41
> 5 years overdue	> 91 days overdue	3	395
		<u>2,534</u>	<u>6,830</u>

(iii) Movement in provision for impairment of receivables

Balance at the beginning of the year (former Councils)	281
+ new provisions recognised during the year	51
– amounts provided for but recovered during the year	(69)
Balance at the end of the year	<u>263</u>

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. 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.

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	6,948	11,390	–	–	–	–	–	18,338	18,338
Loans and advances	–	621	596	571	546	522	127	2,983	2,625
Total financial liabilities	6,948	12,011	596	571	546	522	127	21,321	20,963

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 through the diversification of borrowing types, maturities and interest rate structures.

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	18,338	0.00%
Loans and advances – variable interest rate	2,625	3.72%
	<u>20,963</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	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	343	(7)	–	15	–	–	351	–
Roads	15	10	–	1	(2)	–	23	–
Traffic facilities	1,672	0	–	54	–	–	1,726	–
Parking	761	–	–	29	–	–	790	–
Open space	16,854	524	–	524	(515)	–	17,386	–
Community facilities	12,114	415	–	497	(608)	–	12,418	–
Library	3,691	(17)	–	163	(42)	–	3,796	–
Urban space	18	–	–	2	–	–	19	–
Management	272	(38)	–	12	–	–	246	–
Open space, recreation and public domain facilities	17,612	2,776	–	745	(1,315)	–	19,819	–
Deficient car parking	395	–	–	16	–	–	411	–
Non residential development in CBD	244	–	–	10	–	–	254	–
S94 contributions – under a plan	53,991	3,664	–	2,066	(2,481)	–	57,240	–
S94A levies – under a plan	414	809	–	27	(161)	–	1,088	–
Total S94 revenue under plans	54,405	4,473	–	2,093	(2,642)	–	58,328	–
Total contributions	54,405	4,473	–	2,093	(2,642)	–	58,328	–

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN (former Hurstville Council)

CONTRIBUTION PLAN – repealed from 14 March 2013

PURPOSE	S94 Funds transferred from former Councils	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	322	(2)	–	14	–	–	335	–
Traffic facilities	250	–	–	11	–	–	261	–
Parking	428	–	–	19	–	–	447	–
Open space	1,135	(60)	–	51	–	–	1,127	–
Community facilities	8,023	–	–	340	(603)	–	7,760	–
Library	3,691	(17)	–	163	(42)	–	3,796	–
Urban space	18	–	–	2	–	–	19	–
Management	272	(38)	–	12	–	–	246	–
Total	14,140	(116)	–	612	(644)	–	13,991	–

CONTRIBUTION PLAN – commenced 14 March 2013

PURPOSE	S94 Funds transferred from former Councils	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, recreation and public domain facilities	17,612	2,776	–	745	(1,315)	–	19,819	–
Deficient car parking	233	–	–	9	–	–	242	–
Non residential development in CBD	244	–	–	10	–	–	254	–
Community Facilities	2,527	392	–	110	–	–	3,029	–
Deficient car parking	162	–	–	6	–	–	168	–
Total	20,778	3,168	–	881	(1,315)	–	23,512	–

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN (former Kogarah Council)

CONTRIBUTION PLAN – NUMBER 1 – Roads & Traffic Management

PURPOSE	S94 Funds transferred from former Councils	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	15	10	–	1	(2)	–	23	–
Total	15	10	–	1	(2)	–	23	–

CONTRIBUTION PLAN NUMBER 3 – Car Parking – Hurstville Town Centre

PURPOSE	S94 Funds transferred from former Councils	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	333	–	–	10	–	–	343	–
Total	333	–	–	10	–	–	343	–

CONTRIBUTION PLAN NUMBER 4 – Streetscape Improvement – Hurstville Town Centre

PURPOSE	S94 Funds transferred from former Councils	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	515	–	–	15	–	–	530	–
Total	515	–	–	15	–	–	530	–

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN (former Kogarah Council)

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

PURPOSE	S94 Funds transferred from former Councils	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	8,075	539	–	249	(284)	–	8,580	–
Total	8,075	539	–	249	(284)	–	8,580	–

CONTRIBUTION PLAN NUMBER 6 – Hurstville south ares

PURPOSE	S94 Funds transferred from former Councils	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	1,207	–	–	36	–	–	1,243	–
Total	1,207	–	–	36	–	–	1,243	–

CONTRIBUTION PLAN NUMBER 8 – Kogarah Town Centre

PURPOSE	S94 Funds transferred from former Councils	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	5,921	45	–	172	(231)	–	5,906	–
Traffic Facilities	1,422	0	–	43	–	–	1,465	–
Community facilities	147	0	–	4	–	–	151	–
Drainage	21	(5)	–	0	–	–	16	–
Total	7,510	40	–	219	(231)	–	7,539	–

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN (former Kogarah Council)

CONTRIBUTION PLAN NUMBER 9 – Kogarah Libraries – Buildings & Books

PURPOSE	S94 Funds transferred from former Councils	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	81	23	–	3	(5)	–	102	–
Total	81	23	–	3	(5)	–	102	–

CONTRIBUTION PLAN – Ramsgate commercial centre

PURPOSE	S94 Funds transferred from former Councils	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	1,337	–	–	40	–	–	1,377	–
Total	1,337	–	–	40	–	–	1,377	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLANS

PURPOSE	S94 Funds transferred from former Councils	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					
Infrastructure works - Hurstville Private Hospital	161	–	–	–	(161)	–	–	–
Georges River Council Section 94A	–	199	–	1	–	–	200	–
Former Kogarah Section 94A	253	610	–	26	–	–	888	–
Total	414	809	–	27	(161)	–	1,088	–

Georges River Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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.

The share of this deficit that can be broadly attributed to Council is \$1,404,000. This deficit amount will be paid in monthly instalments which are estimated to remain in place until 30 June 2020.

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.

(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.

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.

Georges River Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iv) Other guarantees

Council has provided a \$10,000 security deposit guarantee issued to Sydney Water in relation to a property within the former Hurstville LGA.

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) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that was owned or controlled up to and including 30/06/08 by the former Councils and transferred on amalgamation.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

ASSETS NOT RECOGNISED: (Cont)

(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.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
a. Net result for the year		1,363,712
Balance at end of the reporting period		<u>1,363,712</u>
(b) Revaluation reserves		
(i) Reserves are represented by:		
– Infrastructure, property, plant and equipment revaluation reserve		12,575
Total		<u>12,575</u>
(ii) Reconciliation of movements in reserves:		
Infrastructure, property, plant and equipment revaluation reserve		
– Revaluations for the year	9(a)	12,575
– Balance at end of year		<u>12,575</u>
TOTAL VALUE OF RESERVES		<u>12,575</u>
(iii) 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.		

Georges River Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 14/11/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 25. Intangible assets

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

¹ The net book value of intangible assets represent:

– Software	1,878
	<u>1,878</u>

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Georges River Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

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

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

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.

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).

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

13/5/16 to 30/6/17	Fair value measurement hierarchy			
	Level 1	Level 2	Level 3	Total
	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Designated at fair value on initial recognition’			72,068	72,068
Total financial assets	–	–	72,068	72,068
Investment Properties				
- Properties held with the primary purpose of external lease			16,345	16,345
Total Investment Properties	–	–	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 30/06/08)			727	727
Land improvement			–	–
Buildings - non specialised			75,734	75,734
Buildings - specialised			82,257	82,257
Other structures			9,372	9,372
Roads and bridges			468,496	468,496
Footpaths			34,140	34,140
Open Space			48,526	48,526
Stormwater drainage			71,537	71,537
Library books			877	877
Other assets			88	88
Capital work in progress			2,657	2,657
Total Infrastructure, property, plant and equipment	–	–	1,209,884	1,209,884
Total	–	–	1,298,297	1,298,297

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

(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.

(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:

Assets classed as Level 3 within the fair value hierarchy were subject to unobservable inputs as detailed in the table above. Details of the valuation inputs and techniques used in fair value measurements 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 3 of the hierarchy with the key unobservable 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 Australis Asset Advisory Group as at 30 June 2017 and land component by Liquid Pacific Holdings Pty Ltd as at 12 May 2016.

▪ 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.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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:

- Current prices in active markets for similar assets or similar land parcels in less active markets
- All land assets are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre.
- Liquid Pacific Holdings Pty Ltd performed the last independent valuation of the former Hurstville City Council Operational Land assets in 2016 for the period ending 12/5/2016. 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.
- Hurstville Council carry out regular maintenance of buildings and this is a significant factor in the determination of effective lives.

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:

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

- 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 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 Jeff Roorda and Associates as at 12 June 2016. Stormwater drainage was last re-valued as at 30 June 2013. Roads, Bridges and Footpaths (subsequently reclassified to roads, footpaths and bulk earthworks) was last independently re-valued by Australis Asset Advisory Group as at 30 June 2015.

Georges River Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

(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	Investment		
	Assets	Properties	IPP&E	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance – 13/5/16	55,037	15,100	1,195,257	1,265,394
Adoption of AASB 13	–		–	–
Transfers from/(to) level 1 FV hierarchy	–		–	–
Transfers from/(to) level 2 FV hierarchy	–		–	–
Transfers from/(to) another asset class	–		–	–
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 decrements – Income Statement ¹	533	1,245	(3,732)	(1,954)
Other movement (details here)	–		(64)	(64)
Other movement (details here)	–		–	–
Other movement (details here)	–		–	–
Other movement (details here)	–		–	–
Closing balance – 30/6/17	72,068	16,345	1,209,884	1,298,297

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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 (30/06/17) \$'000	Valuation Technique(s)	Key unobservable inputs
Financial Assets	72,068	Market Approach	<ul style="list-style-type: none"> Unit Price
Investment property	16,345	Income or Market Approach	<ul style="list-style-type: none"> Estimated rental value (per sq mtr) Rental Yield Open Market Value
<ul style="list-style-type: none"> Plant and Equipment Office Equipment Furniture and Fittings Library Collection 	12,105	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value
<u>Land</u>	405,060		
<ul style="list-style-type: none"> Operational Land Community Land Council Controlled Land Land Under Roads 		<ul style="list-style-type: none"> Market Approach VG value (price per square metre) 	<ul style="list-style-type: none"> Price per square metre Discount rate to account for zoning and other constraints on development and the potential for alternative use.
<ul style="list-style-type: none"> Other Structures, Land Improvements Other Recreational and Open Space Assets 	60,555	Cost Approach	<ul style="list-style-type: none"> Condition Useful and Remaining Life Unit Rates
<u>Buildings</u>	157,991	Cost Approach	
<ul style="list-style-type: none"> Specialised Non-Specialised 			<ul style="list-style-type: none"> Condition Useful and Remaining Life Component replacement rates Allowance for economic and functional obsolescence
<u>Infrastructure</u>	502,636	Cost Approach	
<ul style="list-style-type: none"> Roads Footpaths Bulk Earthworks 			<ul style="list-style-type: none"> Condition Useful and Remaining Life Residual Value
<ul style="list-style-type: none"> Stormwater drainage 	71,537	Cost Approach	<ul style="list-style-type: none"> Condition Useful and Remaining Life Unit Rates Residual Value

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. 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	Finance Department
Infrastructure	Annually	Full valuation using current unit rates	Internal	Assets & Infrastructure Directorate/Finance Department
Plant and equipment, office equipment and furniture and fittings	Annually	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 period 13 May 2016 to 30 June 2017

Note 28. Related party disclosures

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Note 29. Local Government amalgamation

\$ '000	Notes	
<p>The Local Government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Hurstville City Council and Kogarah City Council to Georges River Council at 12 May 2016.</p>		
		Actual
		13/5/16
		to 30/6/17
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	a	1,241,717
Accounting policy adjustments	b	81,578
		<u>1,323,295</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Kogarah City Council were acquired as a result of amalgamation
- Hurstville City Council were acquired as a result of amalgamation

have been recognised by the Council at fair value recorded by the former councils.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Hurstville City Council	Kogarah City Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	4,157	8,525	12,682
Investments	40,884	15,929	56,813
Receivables	12,479	7,198	19,677
Inventories	99	315	414
Other	574	235	809
Total current assets	58,193	32,202	90,395
Non-current assets			
Investments	29,000	29,225	58,225
Receivables	576	–	576
Infrastructure, property, plant and equipment	674,019	439,677	1,113,696
Investment property	15,100	–	15,100
Intangible assets	787	–	787
Total non-current assets	719,482	468,902	1,188,384
TOTAL ASSETS	777,675	501,104	1,278,779
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	12,065	6,328	18,393
Borrowings	500	–	500
Provisions	8,433	6,812	15,245
Total current liabilities	20,998	13,140	34,138
Non-current liabilities			
Borrowings	2,750	–	2,750
Provisions	174	–	174
Total non-current liabilities	2,924	–	2,924
TOTAL LIABILITIES	23,922	13,140	37,062
Net assets transferred	753,753	487,964	1,241,717

Georges River Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

b. Accounting policy adjustments

(i) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
Adjustments made to recognise net assets at fair value	
Recognition of assets not recorded by former council	22,321
Changes in asset values due to comprehensive valuation process	59,257
Total adjustments	81,578

(ii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 13 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

Georges River Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 30. 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

Rob Owens

PUBLIC OFFICER

Tony Gearon

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 (Deputy Mayor)
Leesha Payor
Lou Konjarski
Nancy Liu
Nick Katris
Rita Kastanias
Sam Elmir
Sandy Grekas
Stephen Agius
Vince Badalati
Warren Tegg

ADMINISTRATOR

John Rayner



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

To the Councillors of the Georges River Council

Opinion

I have audited the accompanying financial statements of Georges River Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Karen Taylor
Director, Financial Audit Services

14 Novemeber 2017
SYDNEY

Councillor Kevin Greene
Mayor
Georges River Council
Cnr MacMahon and Dora Street
HURSTVILLE NSW 2220

Contact: Karen Taylor
Phone no: 02 9275 7100
Our ref: D1730017/1728

14 November 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Georges River Council**

I have audited the general purpose financial statements of the Georges River Council (the Council) for the period ended 30 June 2017 as required by s415 of the Local Government Act 1993 (the Act).

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

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

Council Amalgamation

The Council was formed on 12 May 2016 by the Local Government Minister's proclamation, *Local Government (Council Amalgamations) Proclamation 2016*. Therefore, 30 June 2017 is the first financial reporting period and comparative ratio analysis could not be done for this report. My report comments on the one financial reporting period.

Operating result

	13/5/16 to 30/6/17
	\$m
Rates and annual charges revenue	90.6
Grants and contributions revenue	40.6
Operating result for the year	40.4
Net operating result before capital amounts	22.9

INCOME STATEMENT

Operating Result

Council's operating result for the period was a surplus of \$40.4 million including depreciation expense of \$17.6 million. The most significant impacts on the period's results were:

- receipt of \$20 million in special purpose grants on amalgamation of the former councils
- fair value decrements for infrastructure, property, plant and equipment.

However, excluding these items the operating result remains positive.

Operating Result before Capital

The operating result before capital grants and contributions was a surplus of \$22.9 million.

Rates and Annual Charges

Revenue raised from rates and annual charges represented over half of total income from continuing operations.

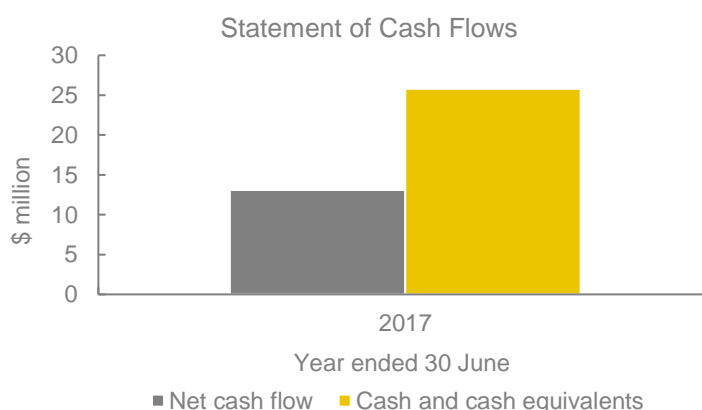
Grants and Contributions

Operating grants and contributions for the period of \$23.1 million represented 12.8 per cent of total income from continuing operations. Capital grants and contributions of \$17.5 million represented 9.7 per cent of total income from continuing operations.

STATEMENT OF CASH FLOWS

Council's cash and cash equivalent balances increased by \$13.1 million from the period's activities, \$60.8 million being provided from operations, \$47.1 million net invested in financial assets and non-current assets, and \$0.6 million used in financing activities.

Cash transferred on amalgamation of the former councils amounted to \$12.7 million, resulting in total cash and cash equivalents at period end of \$25.8 million



FINANCIAL POSITION

Cash and Investments

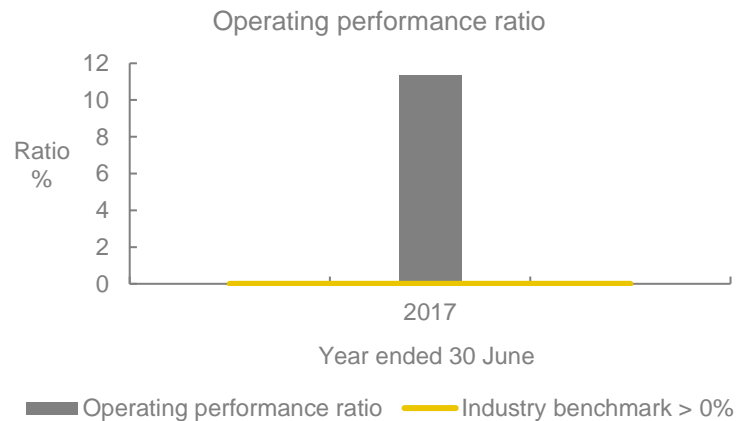
Restricted Cash and Investments	2017	Commentary
	\$m	
External restrictions	77.7	Externally restricted cash and investments is mainly comprised of developer contributions and domestic waste management funds.
Internal restrictions	83.5	Internally restricted cash and investments is comprised of amounts transferred from the former councils, with the main increases since amalgamation being reserves for asset management, commercial property and the specific grants resulting from the amalgamation stronger communities and new council implementation.
Unrestricted	12.7	Unrestricted cash and investments provide liquidity for day-to-day operations.
Cash and investments	173.9	

PERFORMANCE RATIOS

Operating performance ratio

Council's operating performance ratio of 11.3 per cent in 2016-17 exceeds the industry benchmark.

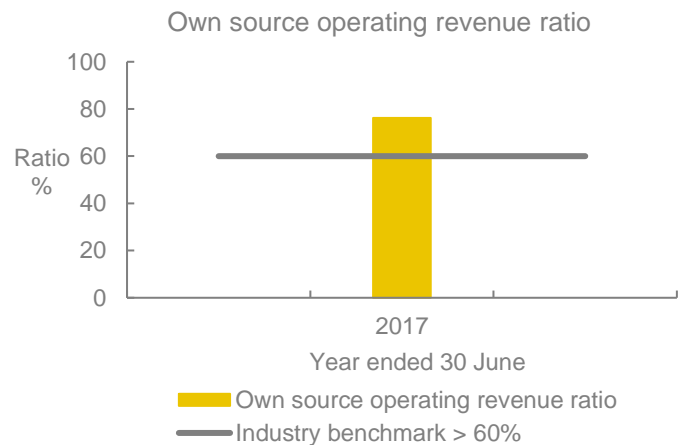
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council's own source operating ratio of 76.2 per cent exceeds the industry benchmark, despite large grant receipts in the current period.

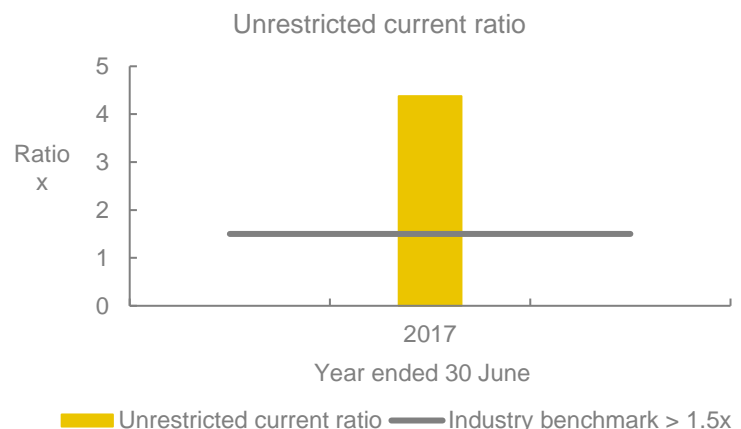
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

This ratio indicates that Council currently has \$4.38 of unrestricted assets available to service every \$1.0 of its unrestricted current liabilities. This reflects a sufficient operating buffer for use in Council's operations and exceeds the industry benchmark.

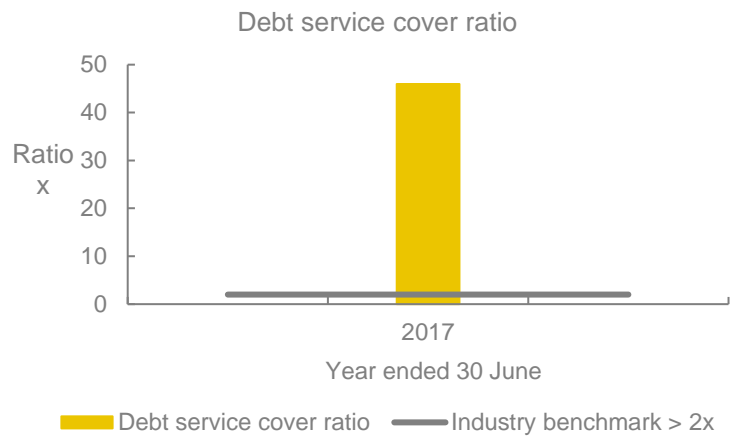
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio of 45.6 times exceeds industry benchmark because of council's low debt levels.

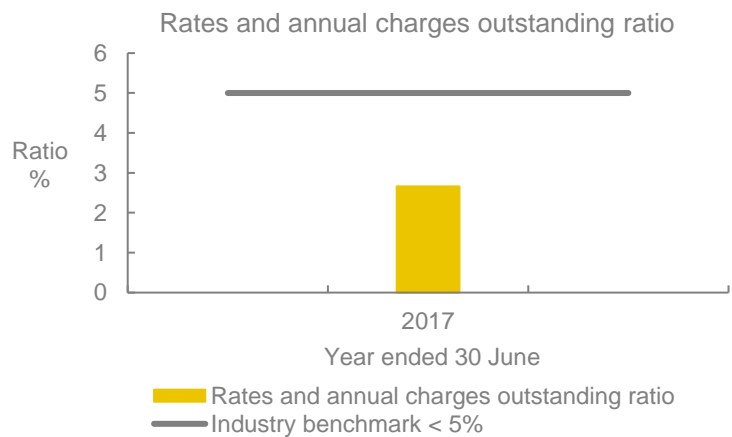
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's outstanding rates and charges ratio of 2.7 per cent is within the industry benchmark.

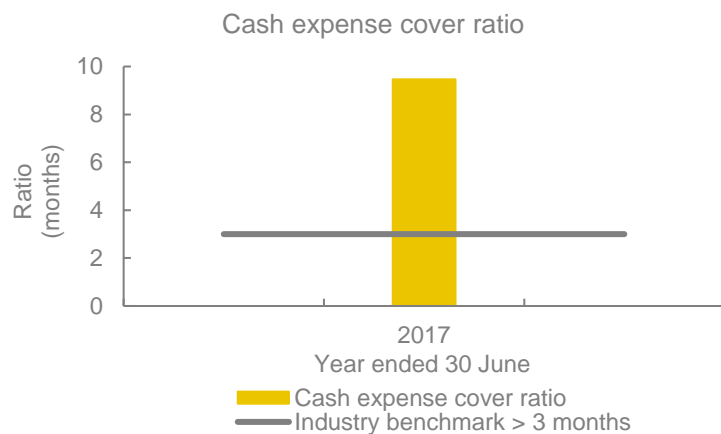
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council's cash expense cover ratio of 9.46 months exceeds the industry benchmark. This reflects the balance of cash transferred on amalgamation as well as the amount of cash generated by council activities for the period.

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.

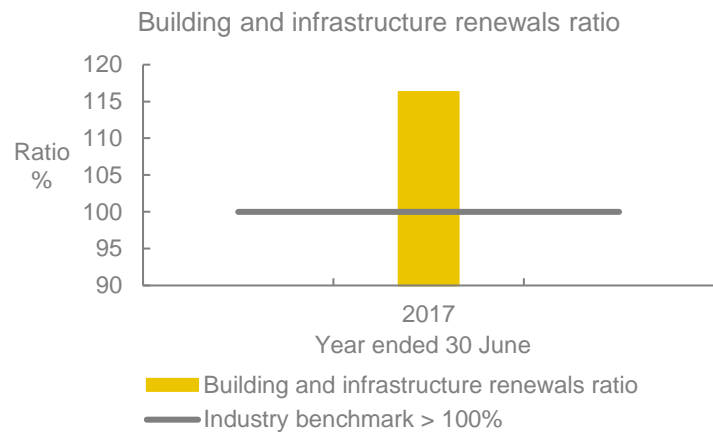


Building and infrastructure renewals ratio

Council's infrastructure renewals ratio for 2016-17 exceeds the industry benchmark of 100%.

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 information contained in council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

- compensation paid to 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 period 13 May 2016 to 30 June 2017

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



Georges River Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

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Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,992	27	–	(3,965)
Administration	40,397	14,986	10,143	(15,268)
Public order and safety				
Fire service levy, fire protection, emergency services	2,470	151	–	(2,319)
Beach control	–	–	–	–
Enforcement of local government regulations	548	136	–	(412)
Animal control	287	67	–	(220)
Other	–	–	–	–
Total public order and safety	3,305	354	–	(2,951)
Health	1,558	345	–	(1,213)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	429	6	142	(281)
Solid waste management	22,290	27,246	–	4,956
Street cleaning	5,447	6	–	(5,441)
Drainage	–	–	–	–
Stormwater management	2,259	27	583	(1,649)
Total environment	30,425	27,285	725	(2,415)
Community services and education				
Administration and education	2,007	100	1	(1,906)
Social protection (welfare)	–	–	90	90
Aged persons and disabled	35	82	–	47
Children's services	5,876	6,320	–	444
Total community services and education	7,918	6,502	91	(1,325)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	306	–	–	(306)
Street lighting	2,794	351	–	(2,443)
Town planning	6,553	4,839	4,785	3,071
Other community amenities	–	–	–	–
Total housing and community amenities	9,653	5,190	4,785	322
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Georges River Council

Special Schedule 1 – Net Cost of Services (continued)
 for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	6,910	470	101	(6,339)
Museums	19	1	–	(18)
Art galleries	–	–	–	–
Community centres and halls	1,470	704	–	(766)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	467	20	–	(447)
Sporting grounds and venues	–	–	–	–
Swimming pools	1,995	1,898	–	(97)
Parks and gardens (lakes)	8,664	440	375	(7,849)
Other sport and recreation	1,318	1,306	–	(12)
Total recreation and culture	20,843	4,839	476	(15,528)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,417	1,165	–	(252)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	1,417	1,165	–	(252)
Transport and communication				
Urban roads (UR) – local	5,754	612	18	(5,124)
Urban roads – regional	361	2,120	1,188	2,947
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	2,726	4,553	–	1,827
Footpaths	730	287	–	(443)
Aerodromes	–	–	–	–
Other transport and communication	6,851	666	65	(6,120)
Total transport and communication	16,422	8,238	1,271	(6,913)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	3,559	12,892	–	9,333
Total economic affairs	3,559	12,892	–	9,333
Totals – functions	139,489	81,823	17,491	(40,175)
General purpose revenues ⁽¹⁾	–	80,593	–	80,593
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	139,489	162,415	17,491	40,417

(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(a) – Statement of Long Term Debt (all purpose)

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	500	2,750	3,250	–	625	–	–	136	500	2,125	2,625
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	500	2,750	3,250	–	625	–	–	136	500	2,125	2,625
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	500	2,750	3,250	–	625	–	–	136	500	2,125	2,625

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Georges River Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'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	2016/17 Required maintenance ^a	2016/17 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	2,922	5,422	157,991	229,993	6.0%	29.9%	59.3%	4.9%	0%
	Sub-total	1,504	6,015	2,922	5,422	157,991	229,993	6.0%	29.9%	59.3%	4.9%	0.0%
Other structures	Other structures	–	–	45	–	9,372	15,491	79.3%	5.7%	15.0%		0.0%
	Sub-total	–	–	45	–	9,372	15,491	79.3%	5.7%	15.0%	0.0%	0.0%
Roads	Sealed roads incl K&G	5,974	24,079	5,488	7,852	346,557	524,415	21.0%	31.3%	43.7%	4.0%	0.0%
	Footpaths	2,033	6,490	997	1,282	34,140	71,930	16.0%	43.0%	32.0%	6.0%	3.0%
	Other road assets	15	–	93	385	6,909	13,996	35.0%	33.0%	32.0%		0.0%
	Bulk earthworks	–	–	–	–	115,030	115,030	100.0%				0.0%
	Sub-total	8,022	30,570	6,578	9,519	502,636	725,371	33.3%	27.6%	35.4%	3.5%	0.3%

Georges River Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard ^b	Estimated cost to bring to the agreed level of service set by Council ^c	2016/17 Required maintenance ^a	2016/17 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	1,153	3,555	1,653	1,115	71,537	143,118	13.1%	35.7%	50.0%	0.8%	0.3%
	Sub-total	1,153	3,555	1,653	1,115	71,537	143,118	13.1%	35.7%	50.0%	0.8%	0.3%
Open space/recreational assets	Other Open Space Assets	1,562	5,327	8,219	8,781	48,526	73,622	30.4%	36.5%	27.6%	5.2%	0.3%
	Sub-total	1,562	5,327	8,219	8,781	48,526	73,622	30.4%	36.5%	27.6%	5.2%	0.3%
	TOTAL – ALL ASSETS	12,240	45,467	19,418	24,837	790,062	1,187,595	26.0%	29.3%	41.0%	3.5%	0.2%

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	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	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 period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>15,647</u>	116.27%
Depreciation, amortisation and impairment	<u>13,458</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>12,240</u>	1.81%
Net carrying amount of infrastructure assets	<u>675,032</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>24,837</u>	1.28
Required asset maintenance	<u>19,418</u>	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	<u>45,467</u>	3.83%
Gross replacement cost	<u>1,187,595</u>	

Notes

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

(1) 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 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Former Hurstville City Council	Former Kogarah City Council	Total
Notional general income calculation ⁽¹⁾				
Last year notional general income yield	a	37,005	27,536	64,541
Plus or minus adjustments ⁽²⁾	b	443	52	495
Notional general income	c = (a + b)	<u>37,448</u>	<u>27,588</u>	<u>65,036</u>
Permissible income calculation				
Special variation percentage ⁽³⁾	d	0.00%	0.00%	
Or rate peg percentage	e	1.50%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	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	562	–	562
Or plus Crown land adjustment and rate peg amount	j = c x f	–	414	414
Sub-total	k = (c + g + h + i + j)	<u>38,010</u>	<u>28,002</u>	<u>66,012</u>
Plus (or minus) last year's carry forward total	l	13	(29)	(16)
Less valuation objections claimed in the previous year	m	–	–	–
Sub-total	n = (l + m)	<u>13</u>	<u>(29)</u>	<u>(16)</u>
Total permissible income	o = k + n	<u>38,023</u>	<u>27,973</u>	<u>65,996</u>
Less notional general income yield	p	37,807	28,003	65,810
Catch-up or (excess) result	q = o – p	<u>216</u>	<u>(30)</u>	<u>186</u>
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	2	2	4
Less unused catch-up ⁽⁵⁾	s	–	–	–
Carry forward to next year	t = q + r – s	<u>218</u>	<u>(28)</u>	<u>190</u>

Georges River Council

Special Schedule 8 – Permissible Income Calculation (continued) for the year ended 30 June 2018

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Georges River Council

To the Councillors of Georges River Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Georges River Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Georges River Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

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

My opinion does not provide assurance:

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



Karen Taylor
Director, Financial Audit Services

14 November 2017
SYDNEY