



# The former Auburn City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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## The former Auburn City Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Auburn City Council.
- (ii) The former Auburn City 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).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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 Cumberland Council on 05 October 2016. Council has the power to amend and reissue these financial statements.
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## The former Auburn City Council

### General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

## Understanding Council's financial statements

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### Introduction

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

### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 12 May 2016.

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

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

#### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

#### 3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

This statement 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 financial statements are required to be audited by external accountants (that generally specialise in local government). 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.

The former Auburn City Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and 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, 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 Cumberland Council made on 02 November 2016.**



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VIV MAY  
Administrator



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MALCOLM RYAN  
Interim General Manager



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RICHARD SHERIDAN  
Responsible Accounting Officer

## The former Auburn City Council

## Income Statement

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup>		Actual	Actual	
1/7/15		1/7/15	1/7/14	
to 30/6/16	\$ '000	to 12/5/16	to 30/6/15	
		Notes		
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
n/a	Rates and annual charges	3a	46,183	45,484
n/a	User charges and fees	3b	6,312	6,670
n/a	Interest and investment revenue	3c	2,686	2,786
n/a	Other revenues	3d	2,702	3,550
n/a	Grants and contributions provided for operating purpose	3e,f	7,084	8,183
n/a	Grants and contributions provided for capital purposes	3e,f	4,655	6,636
<b>Other income:</b>				
n/a	Net gains from the disposal of assets	5	–	461
n/a	Net share of interests in joint ventures and associates using the equity method	19	127	38
<u>n/a</u>	<b>Total income from continuing operations</b>		<u>69,749</u>	<u>73,808</u>
<b>Expenses from continuing operations</b>				
n/a	Employee benefits and on-costs	4a	22,204	24,394
n/a	Borrowing costs	4b	690	931
n/a	Materials and contracts	4c	17,628	19,068
n/a	Depreciation and amortisation	4d	11,258	12,543
n/a	Impairment	4d	–	–
n/a	Other expenses	4e	7,351	8,310
n/a	Net losses from the disposal of assets	5	599	–
n/a	Net share of interests in joint ventures and associates using the equity method	19	–	–
<u>n/a</u>	<b>Total expenses from continuing operations</b>		<u>59,730</u>	<u>65,246</u>
<u>n/a</u>	<b>Operating result from continuing operations</b>		<u>10,019</u>	<u>8,562</u>
<u>n/a</u>	<b>Net operating result for the period</b>		<u>10,019</u>	<u>8,562</u>
<u>n/a</u>	<b>Net operating result for the period before grants and contributions provided for capital purposes</b>		<u>5,364</u>	<u>1,926</u>
	<b>Alternative net operating result for the period before grants and contributions provided for capital purposes <sup>2</sup></b>		<u>500</u>	<u>1,926</u>

<sup>1</sup> Original budget as approved by Council is not required for these financial statements

<sup>2</sup> Alternative Net operating result before capital income if rates and annual charges income had been pro rata'd for the period 1/7/15 - 12/5/16

## The former Auburn City Council

## Statement of Comprehensive Income

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Net operating result for the period</b> (as per Income Statement)		<b>10,019</b>	<b>8,562</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	–	110,455
<b>Total items which will not be reclassified subsequently to the operating result</b>		–	110,455
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the period</b>		–	<b>110,455</b>
<b>Total comprehensive income for the period</b>		<b>10,019</b>	<b>119,017</b>
<b>Total comprehensive income attributable to Council</b>		<b>10,019</b>	<b>119,017</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		–	–

## The former Auburn City Council

## Statement of Financial Position

as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	4,828	2,830
Investments	6b	43,900	46,000
Receivables	7	10,238	3,545
Inventories	8	196	206
Other	8	563	275
Non-current assets classified as 'held for sale'	22	–	6,500
<b>Total current assets</b>		<b>59,725</b>	<b>59,356</b>
<b>Non-current assets</b>			
Investments	6b	13,000	18,000
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	2,328,703	2,309,230
Investments accounted for using the equity method	19	1,540	1,413
Investment property	14	–	–
Intangible assets	25	2,379	2,074
<b>Total non-current assets</b>		<b>2,345,622</b>	<b>2,330,717</b>
<b>TOTAL ASSETS</b>		<b>2,405,347</b>	<b>2,390,073</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	13,633	7,950
Borrowings	10	1,558	1,174
Provisions	10	6,502	6,201
<b>Total current liabilities</b>		<b>21,693</b>	<b>15,325</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	11,003	12,140
Provisions	10	376	352
<b>Total non-current liabilities</b>		<b>11,379</b>	<b>12,492</b>
<b>TOTAL LIABILITIES</b>		<b>33,072</b>	<b>27,817</b>
<b>Net assets</b>		<b>2,372,275</b>	<b>2,362,256</b>
<b>EQUITY</b>			
Retained earnings	20	1,592,875	1,582,856
Revaluation reserves	20	779,400	779,400
Council equity interest		2,372,275	2,362,256
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>2,372,275</b>	<b>2,362,256</b>

## The former Auburn City Council

### Statement of Changes in Equity for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
<b>1/7/15 to 12/5/16</b>						
<b>Opening balance</b> (as per last year's audited accounts)		1,582,856	779,400	<b>2,362,256</b>	–	<b>2,362,256</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/15)		<b>1,582,856</b>	<b>779,400</b>	<b>2,362,256</b>	–	<b>2,362,256</b>
<b>c. Net operating result for the period</b>		<b>10,019</b>	–	<b>10,019</b>	–	<b>10,019</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	–	–	–	–
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		–	–	–	–	–
<b>Total comprehensive income</b> (c&d)		<b>10,019</b>	–	<b>10,019</b>	–	<b>10,019</b>
e. Distributions to/(contributions from) non-controlling Interests				–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>1,592,875</b>	<b>779,400</b>	<b>2,372,275</b>	–	<b>2,372,275</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total Equity
<b>1/7/14 to 30/6/15</b>						
<b>Opening balance</b> (as per last year's audited accounts)		1,574,294	668,945	<b>2,243,239</b>	–	<b>2,243,239</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/14)		<b>1,574,294</b>	<b>668,945</b>	<b>2,243,239</b>	–	<b>2,243,239</b>
<b>c. Net operating result for the year</b>		<b>8,562</b>	–	<b>8,562</b>	–	<b>8,562</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	110,455	<b>110,455</b>	–	<b>110,455</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		–	<b>110,455</b>	<b>110,455</b>	–	<b>110,455</b>
<b>Total comprehensive income</b> (c&d)		<b>8,562</b>	<b>110,455</b>	<b>119,017</b>	–	<b>119,017</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the year</b>		<b>1,582,856</b>	<b>779,400</b>	<b>2,362,256</b>	–	<b>2,362,256</b>



## The former Auburn City Council

## Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup> 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
n/a	Rates and annual charges		40,664	45,661
n/a	User charges and fees		7,104	8,530
n/a	Investment and interest revenue received		3,013	2,778
n/a	Grants and contributions		12,170	15,323
n/a	Bonds, deposits and retention amounts received		110	274
n/a	Other		5,865	5,928
<b>Payments:</b>				
n/a	Employee benefits and on-costs		(21,873)	(24,108)
n/a	Materials and contracts		(15,323)	(17,286)
n/a	Borrowing costs		(690)	(931)
n/a	Other		(10,254)	(9,861)
n/a	<b>Net cash provided (or used in) operating activities</b>	11b	<b>20,786</b>	<b>26,308</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
n/a	Sale of investment securities		44,500	46,000
n/a	Sale of infrastructure, property, plant and equipment		1,242	1,920
<b>Payments:</b>				
n/a	Purchase of investment securities		(37,400)	(53,000)
n/a	Purchase of infrastructure, property, plant and equipment		(26,377)	(18,178)
n/a	Contributions paid to joint ventures and associates		–	(1)
n/a	<b>Net cash provided (or used in) investing activities</b>		<b>(18,035)</b>	<b>(23,259)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
n/a	Repayment of borrowings and advances		(753)	(1,673)
n/a	<b>Net cash flow provided (used in) financing activities</b>		<b>(753)</b>	<b>(1,673)</b>
n/a	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,998</b>	<b>1,376</b>
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	2,830	1,454
n/a	<b>Cash and cash equivalents – end of reporting period</b>	11a	<b>4,828</b>	<b>2,830</b>
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	56,900	64,000
	<b>Total cash, cash equivalents and investments</b>		<b>61,728</b>	<b>66,830</b>

<sup>1</sup> The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) 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.

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (y).

###### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### (vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

##### (i) Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former **Auburn City Council** has been amalgamated into **Cumberland Council** from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the **Cumberland Council**
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils

- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties

- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

- The former **Auburn City Council** has not been liquidated nor has trading ceased.

(ii) Estimated fair values of investment properties

(iii) Estimated fair values of infrastructure, property, plant and equipment,

(iv) Estimated remediation provisions.

##### (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 it, and specific criteria have been met for each of the Council's activities as described below.

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Rates **and annual charges** are recognised as revenue for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted 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.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current period.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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.

A detailed note relating to developer contributions can be found at Note 17.

#### User charges, fees and other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

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

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

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

#### 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

These consolidated financial statements include the financial position and performance of controlled

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

entities from the date on which control is obtained until the date that control is lost.

##### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General purpose operations.

##### (ii) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in associates can be found at Note 19 (a).

The results of all joint associates for the financial year to 30 June 2016 have been used in determining the result for equity accounting purposes.

##### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

###### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

##### (f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and 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 include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

##### (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 arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

##### Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### General accounting and measurement of financial instruments:

###### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

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

##### (ii) Subsequent measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as **'fair value through profit or loss'** category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as **'available-for-sale'** are recognised in equity in the available-for-sale investments revaluation reserve.

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

##### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (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.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. 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 group may measure impairment on the basis of an instrument's fair value using an observable market price.

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

##### (g) 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 former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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.

#### **(h) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when

objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

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

Impairment losses are 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.

#### **(i) Inventories**

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### **(ii) Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

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

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

#### (j) Infrastructure, property, plant and equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Land improvements**  
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures**  
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (external valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**  
(internal valuation)
- **Other assets**  
(as approximated by depreciated historical cost)

Due to the proclamation date of 12 May 2016, the Council had not completed revaluations for the 2015 / 2016 reporting period and therefore the following assets have not been revalued for these financial statements:

- **Community land**

Council has assessed the current carrying values of the above Asset Classes and do not believe that (at balance date) it is materially different from their fair value.

##### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent costs

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.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

For all other assets, 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 revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

##### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant and Equipment

Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant and Equipment	> \$2,000

##### Buildings and Land Improvements

Park Furniture and Equipment	> \$5,000
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Building	
- construction/extensions	100% Capitalised
- renovations	> \$5,000
Other Structures	> \$5,000

##### Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

##### Transport Assets

Road construction and reconstruction	> \$5,000
Reseal/Re-sheet and major repairs:	> \$5,000
Bridge construction and reconstruction	> \$5,000

##### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant and Equipment

- Office Equipment	5 to 10 years
- Office Furniture	10 to 20 years
- Computer Equipment	5 years
- Vehicles	5 years
- Heavy Plant/Road Making equip.	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 40 years

##### Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 80 years

##### Transportation Assets

- Sealed Roads : Surface	30 years
- Sealed Roads : Structure	80 years

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

- Unsealed Roads	30 years
- Bridge : Concrete	100 years
- Bridge : Other	80 years
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- Road Pavements	80 years
- Kerb, Gutter and Paths	80 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

#### Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

#### (k) Land

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

This classification of land is disclosed in Note 9 (a).

#### (l) 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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

#### (m) 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 services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 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.

#### (n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

#### (o) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### (p) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (q) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (s) Borrowing costs

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

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.

##### (t) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

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

##### (u) Employee benefits

###### (i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

###### (ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### (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 balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Martin Stevenson (BSC, FIA, FIAA) on 20 February 2013 and covers the period ended 30 June 2013.

However the position is monitored annually and the actuary has estimated that as at 12 May 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 589,335.

The amount of additional contributions included in the total employer contribution advised above is \$257,699.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$515,938 as at 12 May 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

##### 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.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (iv) Employee benefit on-costs

Council has recognised at period end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

##### (v) Self-insurance

Council does not self-insure.

##### (w) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

##### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

##### (x) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

##### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

##### (y) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.



## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### **AASB 9 – Financial Instruments**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

##### **AASB 15 – Revenue from Contracts with Customers and associated amending standards**

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

##### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

##### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

***AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities***

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

***AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture***

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

#### **(z) Rounding of amounts**

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

#### **(aa) Comparative figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### **(ab) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## 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 & non-current)	
	Original budget <sup>2</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget <sup>2</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget <sup>2</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Governance	n/a	–	–	n/a	434	595	n/a	(434)	(595)	–	–	83,045	181,407
Our community	n/a	2,194	2,138	n/a	8,324	7,944	n/a	(6,130)	(5,806)	855	875	13,175	15,345
Our places	n/a	11,859	16,556	n/a	28,185	33,399	n/a	(16,326)	(16,843)	3,946	947	2,130,739	2,062,539
Our environment	n/a	11,080	12,237	n/a	9,909	11,445	n/a	1,171	792	178	175	124,947	77,909
Our leadership	n/a	3,112	2,804	n/a	12,878	11,863	n/a	(9,766)	(9,059)	147	284	51,901	51,460
<b>Total functions and activities</b>	<b>n/a</b>	<b>28,245</b>	<b>33,735</b>	<b>n/a</b>	<b>59,730</b>	<b>65,246</b>	<b>n/a</b>	<b>(31,485)</b>	<b>(31,511)</b>	<b>5,126</b>	<b>2,281</b>	<b>2,403,807</b>	<b>2,388,660</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	n/a	127	38	n/a	–	–	n/a	127	38	–	–	1,540	1,413
General purpose income <sup>1</sup>	n/a	41,377	40,035	n/a	–	–	n/a	41,377	40,035	3,224	3,780	–	–
<b>Operating result from continuing operations</b>	<b>n/a</b>	<b>69,749</b>	<b>73,808</b>	<b>n/a</b>	<b>59,730</b>	<b>65,246</b>	<b>n/a</b>	<b>10,019</b>	<b>8,562</b>	<b>8,350</b>	<b>6,061</b>	<b>2,405,347</b>	<b>2,390,073</b>

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

2. Original Budget disclosures are not required for this year.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### 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:**

##### **1. GOVERNANCE**

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

##### **2. OUR COMMUNITY - Diverse and inclusive**

Strategic Theme relates to Community services provided by Council, including public library, art galleries, community centres, public halls, swimming pools, sporting grounds, parks and gardens, family day care, long day child care, aged and disabled, migration services, youth and children services, public conveniences and other community amenities.

##### **3. OUR PLACE - Attractive and liveable**

Strategic Theme relates to the place we live in, including housing, town planning, strategic planning, development assessment, development compliance, law enforcement and regulation parking, public health, animal control, traffic management, street cleaning, roads and footpath maintenance, park and sport field maintenance, car park maintenance and building maintenance.

##### **4. OUR ENVIRONMENT - Healthy and green**

Strategic Theme relates to environmental management, noxious plants and insects/vermin control, flood and drainage, domestic waste management, solid waste management and other sanitation, street cleaning, stormwater management.

##### **5. OUR LEADERSHIP - Visionary and responsible**

Strategic Theme relates to general manager, human resources, economic development, administration, finance, information technology, customer services, vehicle and plant operations and commercial property maintenance.

## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(a) Rates and annual charges <sup>1,2</sup></b>			
<b>Ordinary rates</b>			
Residential		16,999	15,954
Business		18,635	18,160
<b>Total ordinary rates</b>		<b>35,634</b>	<b>34,114</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		9,855	10,687
Stormwater management services		694	683
<b>Total annual charges</b>		<b>10,549</b>	<b>11,370</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>46,183</b>	<b>45,484</b>

<sup>1</sup> Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

<sup>2</sup> Rates and annual charges are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/05/16 to 30/06/16.

## The former Auburn City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		203	240
<b>Total user charges</b>		<b>203</b>	<b>240</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Section 603 certificates		92	126
Section 611 charges		76	55
Town planning		1,893	2,175
<b>Total fees and charges – statutory/regulatory</b>		<b>2,061</b>	<b>2,356</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aged care		271	304
Animal control		25	40
Child care		396	408
Community centres		176	153
Community festivals		7	9
Library and art gallery		32	33
Parking fees		347	390
Recreation and parks		1,078	1,081
Restoration charges		1,354	1,333
Road services		310	312
Other		52	11
<b>Total fees and charges – other</b>		<b>4,048</b>	<b>4,074</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>6,312</b>	<b>6,670</b>

## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		36	61
– Interest earned on investments (interest and coupon payment income)		1,742	2,627
<b>Dividend income</b>		908	–
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		–	98
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>2,686</u></b>	<b><u>2,786</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		36	61
General Council cash and investments		2,482	2,080
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		168	645
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>2,686</u></b>	<b><u>2,786</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		868	1,197
Fines – parking		837	1,442
Fines – other		55	58
Legal fees recovery – rates and charges (extra charges)		75	99
Commissions and agency fees		3	3
Diesel rebate		40	65
Insurance claim recoveries		148	60
Lifelong learning		83	78
Sales – general		183	45
Vehicle lease recovery		248	316
Other		162	187
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,702</u></b>	<b><u>3,550</u></b>

## The former Auburn City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance grant (FAG)	2,952	3,511	–	–
Pensioners' rates subsidies – general component	272	269	–	–
<b>Total general purpose</b>	<b>3,224</b>	<b>3,780</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	178	175	–	–
Child care	451	485	–	–
Community care	282	275	–	–
Economic development	–	–	–	30
Environmental protection	204	204	–	–
Library	–	–	30	30
Library – per capita	192	189	–	–
Library – special projects	6	97	–	–
LIRS subsidy	40	54	–	–
Recreation and culture	150	150	–	–
Street lighting	–	282	–	–
Transport (roads to recovery)	810	279	–	–
Transport (other roads and bridges funding)	–	31	2,749	–
Other	34	–	–	–
<b>Total specific purpose</b>	<b>2,347</b>	<b>2,221</b>	<b>2,779</b>	<b>60</b>
<b>Total grants</b>	<b>5,571</b>	<b>6,001</b>	<b>2,779</b>	<b>60</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,342	403	–	–
– State funding	4,165	5,598	2,779	60
– Other funding	64	–	–	–
	<b>5,571</b>	<b>6,001</b>	<b>2,779</b>	<b>60</b>



## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – LGA administration	–	–	1,515	5,730
S 94a – employment generation development	–	–	320	846
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>1,835</b>	<b>6,576</b>
<b>Other contributions:</b>				
Community bus loop	10	49	–	–
Community enhancement fund	1,092	687	–	–
Community services	9	6	–	–
Golf course	–	17	–	–
Recreation and culture	2	204	–	–
Roads and bridges	–	–	41	–
Road safety	9	11	–	–
RMS contributions (regional roads, block grant)	368	1,187	–	–
Volunteers	23	21	–	–
<b>Total other contributions</b>	<b>1,513</b>	<b>2,182</b>	<b>41</b>	<b>–</b>
<b>Total contributions</b>	<b>1,513</b>	<b>2,182</b>	<b>1,876</b>	<b>6,576</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>7,084</b>	<b>8,183</b>	<b>4,655</b>	<b>6,636</b>

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	19,624	18,914
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	5,998	7,693
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(10,418)	(6,983)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(4,420)</b>	<b>710</b>
<b>Unexpended and held as restricted assets</b>	<b>15,204</b>	<b>19,624</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,537	268
– Developer contributions	13,667	19,356
	<b>15,204</b>	<b>19,624</b>

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		16,647	17,788
Employee termination costs		–	930
Employee leave entitlements (ELE)		2,978	3,006
Superannuation – defined contribution plans		1,322	1,383
Superannuation – defined benefit plans		589	731
Workers' compensation insurance		395	442
Fringe benefit tax (FBT)		35	17
Training costs (other than salaries and wages)		220	195
Other		40	1
<b>Total employee costs</b>		<b>22,226</b>	<b>24,493</b>
Less: capitalised costs		(22)	(99)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>22,204</b>	<b>24,394</b>
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		<b>288</b>	<b>279</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		690	931
<b>Total interest bearing liability costs expensed</b>		<b>690</b>	<b>931</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>690</b>	<b>931</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		4,500	4,883
Contractor and consultancy costs			
– Agency Staff		2,252	1,792
– Facility and Infrastructure Management		3,560	4,662
– Waste Disposal		5,858	6,252
– Other		786	1,002
Auditors remuneration <sup>(1)</sup>		59	54
Infringement notice contract costs (SEINS)		115	166
Legal expenses:			
– Legal expenses: planning and development		98	82
– Legal expenses: other		225	140
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		175	35
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>17,628</b>	<b>19,068</b>

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
<b>Audit and other assurance services</b>			
		59	54
		<b>59</b>	<b>54</b>
		<b>59</b>	<b>54</b>
<b>2. Operating lease payments are attributable to:</b>			
Office equipment		31	35
Other		144	–
		<b>175</b>	<b>35</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Plant and equipment		–	–	1,025	1,106
Office equipment		–	–	152	182
Furniture and fittings		–	–	96	103
Land improvements (depreciable)		–	–	44	50
Infrastructure:					
– Buildings – non-specialised		–	–	3,520	2,457
– Other structures		–	–	27	25
– Roads		–	–	3,446	6,161
– Bridges		–	–	251	199
– Footpaths		–	–	520	592
– Stormwater drainage		–	–	1,435	1,025
– Swimming pools		–	–	117	135
– Other open space/recreational assets		–	–	318	378
Other assets					
– Library books		–	–	105	95
– Other		–	–	5	6
Intangible assets	25	–	–	197	29
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>11,258</b>	<b>12,543</b>

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(e) Other expenses</b>			
Advertising		258	259
Bad and doubtful debts		11	46
Bank charges		125	181
Community events		895	1,084
Contributions/levies to other levels of government			
– Department of Planning levy		(30)	118
– NSW Fire Brigade levy		677	782
– Other contributions/levies		8	100
Councillor expenses – mayoral fee		42	47
Councillor expenses – councillors' fees		126	160
Councillors' expenses (incl. mayor) – other (excluding fees above)		119	293
Donations, contributions and assistance to other organisations (Section 356)		174	179
Education programs		131	127
Insurance		799	756
Printing and stationery		103	146
Street lighting		1,243	1,273
Subscriptions and publications		251	194
Telephone and communications		501	438
Utilities (water, gas and electricity)		990	1,414
Valuation fees		101	104
Information Technology Fees		502	485
Other		325	124
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>7,351</u></b>	<b><u>8,310</u></b>

#### Note 5. Gains or losses from the disposal of assets

<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		–	1,173
Less: carrying amount of property assets sold/written off		(817)	(777)
<b>Net gain/(loss) on disposal</b>		<b>(817)</b>	<b>396</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,242	747
Less: carrying amount of plant and equipment assets sold/written off		(1,024)	(682)
<b>Net gain/(loss) on disposal</b>		<b>218</b>	<b>65</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		44,500	46,000
Less: carrying amount of financial assets sold/redeemed/matured		(44,500)	(46,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(599)</u></b>	<b><u>461</u></b>

## The former Auburn City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		148	–	729	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		–	–	2,101	–
– Managed funds		4,680	–	–	–
<b>Total cash and cash equivalents</b>		<b>4,828</b>	<b>–</b>	<b>2,830</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Term deposits		36,900	6,000	43,500	5,000
– Fixed rate notes		1,000	–	–	1,000
– Floating rate notes		6,000	7,000	2,500	12,000
<b>Total investments</b>		<b>43,900</b>	<b>13,000</b>	<b>46,000</b>	<b>18,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>48,728</b>	<b>13,000</b>	<b>48,830</b>	<b>18,000</b>

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

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

**Cash and cash equivalents**

<b>a. 'At fair value through the profit and loss'</b>		<b>4,828</b>	<b>–</b>	<b>2,830</b>	<b>–</b>
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**Investments**

<b>b. 'Held to maturity'</b>	6(b-ii)	43,900	13,000	46,000	18,000
<b>Investments</b>		<b>43,900</b>	<b>13,000</b>	<b>46,000</b>	<b>18,000</b>

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

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 6b. investments (continued)

	12/5/16	12/5/16	30/6/15	30/6/15
	Actual	Actual	Actual	Actual
\$ '000	Current	Non-current	Current	Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at beginning of period	–	–	1,402	–
Revaluations (through the Income Statement)	–	–	98	–
Disposals (sales and redemptions)	–	–	(1,500)	–
<b>Balance at end of period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at beginning of period	46,000	18,000	44,500	11,000
Additions	34,400	3,000	42,000	11,000
Disposals (sales and redemptions)	(44,500)	–	(44,500)	–
Transfers between current/non-current	8,000	(8,000)	4,000	(4,000)
<b>Balance at end of period</b>	<b>43,900</b>	<b>13,000</b>	<b>46,000</b>	<b>18,000</b>
<b>Comprising:</b>				
– Term deposits	36,900	6,000	43,500	5,000
– Fixed rate notes	1,000	–	2,500	1,000
– Floating rate notes	6,000	7,000	–	12,000
<b>Total</b>	<b>43,900</b>	<b>13,000</b>	<b>46,000</b>	<b>18,000</b>

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	48,728	13,000	48,830	18,000
<b>attributable to:</b>				
External restrictions (refer below)	3,856	13,000	5,171	18,000
Internal restrictions (refer below)	25,455	–	31,803	–
Unrestricted	19,417	–	11,856	–
	<b>48,728</b>	<b>13,000</b>	<b>48,830</b>	<b>18,000</b>
1/7/15 to 12/5/16	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general (A)	1,326	–	(1,326)	–
<b>External restrictions – included in liabilities</b>	<b>1,326</b>	<b>–</b>	<b>(1,326)</b>	<b>–</b>
<b>External restrictions – other</b>				
Developer contributions – general (D)	19,356	2,003	(7,693)	13,667
Specific purpose unexpended grants (F)	268	1,269	–	1,537
Domestic waste management (G)	1,232	10,237	(10,867)	602
Stormwater levy (G)	989	635	(574)	1,050
<b>External restrictions – other</b>	<b>21,845</b>	<b>14,145</b>	<b>(19,134)</b>	<b>16,856</b>
<b>Total external restrictions</b>	<b>23,171</b>	<b>14,145</b>	<b>(20,460)</b>	<b>16,856</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement	3,769	33	(2,745)	1,057
Infrastructure replacement	2,513	37	(1,350)	1,200
Employees leave entitlement	2,313	55	(579)	1,789
Carry over works	1,775	7,639	(963)	8,451
Insurance recovery	738	–	(738)	–
Organisation and system development	956	103	(283)	776
Parks and gardens amenities	1,272	2,893	(384)	3,781
Rates special variance (section 508)	582	–	(582)	–
Sale of land unpaid rates	121	–	(121)	–
Aquatic centre development	9,580	2,479	(8,329)	3,730
I.T upgrades, replacements	656	–	(656)	–
Regents park overbridge	4,915	2,785	(6,537)	1,163
Property renewals and upgrades	2,613	1,176	(281)	3,508
<b>Total internal restrictions</b>	<b>31,803</b>	<b>17,200</b>	<b>(23,548)</b>	<b>25,455</b>
<b>TOTAL RESTRICTIONS</b>	<b>54,974</b>	<b>31,345</b>	<b>(44,008)</b>	<b>42,311</b>

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, 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.

## The former Auburn City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Purpose</b>					
Rates and annual charges		6,287	–	768	–
Interest and extra charges		82	–	104	–
User charges and fees		1,399	–	269	–
Accrued revenues					
– Interest on investments		643	–	948	–
Government grants and subsidies		176	–	123	–
Net GST receivable		350	–	717	–
Other debtors		1,355	–	664	–
<b>Total</b>		<b>10,292</b>	<b>–</b>	<b>3,593</b>	<b>–</b>
<b>Less: provision for impairment</b>					
User charges and fees		(54)	–	(48)	–
<b>Total provision for impairment – receivables</b>		<b>(54)</b>	<b>–</b>	<b>(48)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>10,238</b>	<b>–</b>	<b>3,545</b>	<b>–</b>
<b>Externally restricted receivables</b>					
Domestic waste management		1,511	–	258	–
Stormwater levy		81	–	20	–
Government grants and subsidies		176	–	123	–
<b>Total external restrictions</b>		<b>1,768</b>	<b>–</b>	<b>401</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>8,470</b>	<b>–</b>	<b>3,144</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>10,238</b>	<b>–</b>	<b>3,545</b>	<b>–</b>

**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 8.50% (2015 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.



## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		196	–	206	–
<b>Total inventories at cost</b>		<b>196</b>	<b>–</b>	<b>206</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>196</u></b>	<b><u>–</u></b>	<b><u>206</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>					
Prepayments		563	–	274	–
Other		–	–	1	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>563</u></b>	<b><u>–</u></b>	<b><u>275</u></b>	<b><u>–</u></b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

#### (i) Other disclosures

##### (a) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the period.

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

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 12/5/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	15,203	–	–	–	15,203	17,390	5,688	–	–	(20,023)	(502)	–	17,756	–	–	–	17,756
Plant and equipment	–	10,380	6,790	–	3,590	–	3,299	(1,024)	(1,025)	–	–	–	–	10,917	6,076	–	4,841
Office equipment	–	4,269	3,887	–	382	–	–	–	(152)	1,370	–	–	–	5,639	4,039	–	1,600
Furniture and fittings	–	1,109	257	–	852	–	–	–	(96)	201	–	–	–	1,310	353	–	957
<b>Land:</b>																	
– Operational land	–	111,389	–	–	111,389	–	–	–	–	184	–	6,500	–	118,073	–	–	118,073
– Community land	–	443,664	–	–	443,664	–	–	–	–	4,181	–	–	–	447,845	–	–	447,845
– Land under roads	–	1,188,195	–	–	1,188,195	–	–	–	–	–	–	–	–	1,188,195	–	–	1,188,195
Land improvements – depreciable	–	5,055	455	–	4,600	–	–	–	(44)	–	–	–	–	5,055	499	–	4,556
<b>Infrastructure:</b>																	
– Buildings – non-specialised	–	119,202	54,196	–	65,006	–	–	(817)	(3,520)	3,803	–	–	–	110,672	46,201	–	64,471
– Other structures	–	1,543	108	–	1,435	–	–	–	(27)	47	–	–	–	1,590	135	–	1,455
– Roads	–	318,086	48,681	–	269,405	–	–	–	(3,446)	8,116	–	–	–	326,202	52,127	–	274,075
– Bridges	–	23,216	8,133	–	15,083	–	–	–	(251)	–	–	–	–	23,216	8,384	–	14,832
– Footpaths	–	48,103	11,708	–	36,395	–	–	–	(520)	588	–	–	–	48,691	12,228	–	36,463
– Stormwater drainage	–	166,201	40,420	–	125,781	–	–	–	(1,435)	601	–	–	–	166,802	41,855	–	124,947
– Swimming pools	–	9,260	5,330	–	3,930	–	–	–	(117)	–	–	–	–	9,260	5,447	–	3,813
– Other open space/recreational assets	–	37,198	14,452	–	22,746	–	–	–	(318)	395	–	–	–	37,593	14,770	–	22,823
<b>Other assets:</b>																	
– Library books	–	5,920	4,621	–	1,299	–	–	–	(105)	537	–	–	–	6,457	4,726	–	1,731
– Other	–	300	25	–	275	–	–	–	(5)	–	–	–	–	300	30	–	270
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>15,203</b>	<b>2,493,090</b>	<b>199,063</b>	<b>–</b>	<b>2,309,230</b>	<b>17,390</b>	<b>8,987</b>	<b>(1,841)</b>	<b>(11,061)</b>	<b>–</b>	<b>(502)</b>	<b>6,500</b>	<b>17,756</b>	<b>2,507,817</b>	<b>196,870</b>	<b>–</b>	<b>2,328,703</b>

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.

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Domestic waste management</b>								
Plant and equipment	–	4,264	2,990	<b>1,274</b>	–	4,413	3,155	<b>1,258</b>
<b>Total DWM</b>	–	<b>4,264</b>	<b>2,990</b>	<b>1,274</b>	–	<b>4,413</b>	<b>3,155</b>	<b>1,258</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	–	<b>4,264</b>	<b>2,990</b>	<b>1,274</b>	–	<b>4,413</b>	<b>3,155</b>	<b>1,258</b>

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Payables</b>					
Goods and services – operating expenditure		9,920	–	5,862	–
Payments received In advance		1,523	–	–	–
Accrued expenses:					
– Salaries and wages		767	–	696	–
Security bonds, deposits and retentions		1,230	–	1,120	–
Other		193	–	272	–
<b>Total payables</b>		<b>13,633</b>	<b>–</b>	<b>7,950</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		1,558	11,003	1,174	12,140
<b>Total borrowings</b>		<b>1,558</b>	<b>11,003</b>	<b>1,174</b>	<b>12,140</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,903	–	1,922	–
Sick leave		252	–	252	–
Long service leave		3,799	376	3,571	352
Other leave		91	–	85	–
Employee leave entitlements (ELE) on-cost		457	–	371	–
<b>Total provisions</b>		<b>6,502</b>	<b>376</b>	<b>6,201</b>	<b>352</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>21,693</b>	<b>11,379</b>	<b>15,325</b>	<b>12,492</b>
<b>(i) Liabilities relating to restricted assets</b>					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Externally restricted assets</b>					
Domestic waste management		801	–	252	–
Loans – secured		1,558	11,003	1,174	12,140
<b>Liabilities relating to externally restricted assets</b>		<b>2,359</b>	<b>11,003</b>	<b>1,426</b>	<b>12,140</b>
<b>Internally restricted assets</b>					
Other ELE provisions		1,790	–	2,263	–
<b>Liabilities relating to internally restricted assets</b>		<b>1,790</b>	<b>–</b>	<b>2,263</b>	<b>–</b>
<b>Total liabilities relating to restricted assets</b>		<b>4,149</b>	<b>11,003</b>	<b>3,689</b>	<b>12,140</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>17,544</b>	<b>376</b>	<b>11,636</b>	<b>352</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>21,693</b>	<b>11,379</b>	<b>15,325</b>	<b>12,492</b>

<sup>1</sup>. 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.

## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
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#### (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	3,490	4,383
Payables – security bonds, deposits and retentions	447	561
	<u>3,937</u>	<u>4,944</u>

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	4,828	2,830
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>4,828</b>	<b>2,830</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>10,019</b>	<b>8,562</b>
Adjust for non-cash items:			
Depreciation and amortisation		11,258	12,543
Net losses/(gains) on disposal of assets		599	(461)
Impairment losses recognition – I,PP&E		–	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		–	(98)
Share of net (profits) or losses of associates/joint ventures		(127)	(38)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(6,699)	1,382
Increase/(decrease) in provision for doubtful debts		6	(308)
Decrease/(increase) in inventories		10	(57)
Decrease/(increase) in other assets		(288)	(91)
Increase/(decrease) in payables		4,058	4,279
Increase/(decrease) in other accrued expenses payable		71	401
Increase/(decrease) in other liabilities		1,554	246
Increase/(decrease) in employee leave entitlements		325	(52)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>20,786</b>	<b>26,308</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		500	500
Credit cards/purchase cards		90	90
<b>Total financing arrangements</b>		<b>590</b>	<b>590</b>

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.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		15,205	1,881
Plant and equipment		–	1,802
Infrastructure		6,730	609
<b>Total commitments</b>		<b>21,935</b>	<b>4,292</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		21,935	4,292
<b>Total payable</b>		<b>21,935</b>	<b>4,292</b>
<b>Sources for funding of capital commitments:</b>			
Internally restricted reserves		21,935	–
Restricted funds		–	4,292
<b>Total sources of funding</b>		<b>21,935</b>	<b>4,292</b>

#### (b) Finance lease commitments

Nil

#### (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	335	56
Later than one year and not later than 5 years	319	60
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>654</b>	<b>116</b>

##### b. Non-cancellable operating leases include the following assets:

Electronic office equipment

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

Nil

## The former Auburn City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods	
			30/6/15	30/6/14
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>5,836</u>	<b>8.98%</b>	2.00%	2.94%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>64,967</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>57,883</u>	<b>83.14%</b>	79.76%	84.31%
Total continuing operating revenue <sup>(1)</sup>	<u>69,622</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>54,101</u>	<b>3.51x</b>	6.01x	11.19x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>15,397</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>17,784</u>	<b>12.32x</b>	5.68x	6.53x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,443</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>6,369</u>	<b>13.50%</b>	1.87%	2.38%
Rates, annual and extra charges collectible	<u>47,166</u>			
<b>6. Cash expense cover ratio</b>				
Current period's cash and cash equivalents plus all term deposits	<u>47,728</u>	<b>11.71 mths</b>	11.4 mths	9.3 mths
Payments from cash flow of operating and financing activities	<u>4,074</u>			

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Note 10(a).

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



## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>1. Operating performance ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>1%</td> </tr> <tr> <td>2014</td> <td>3%</td> </tr> <tr> <td>2015</td> <td>2%</td> </tr> <tr> <td>2016</td> <td>9%</td> </tr> </tbody> </table> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	1%	2014	3%	2015	2%	2016	9%	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 8.98%</b></p> <p>Excluding Capital Grants and Contributions, this year ratio was impacted by the full recognition of Rates and Annual charges revenue for 15/16, including the 6 weeks period 13/5 to 30/6/16. If the Revenue has been apportioned, the ratio would have been 1.55%</p>
Year	Ratio %											
2013	1%											
2014	3%											
2015	2%											
2016	9%											
<p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark         </p>												
<p><b>2. Own source operating revenue ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>81%</td> </tr> <tr> <td>2014</td> <td>84%</td> </tr> <tr> <td>2015</td> <td>80%</td> </tr> <tr> <td>2016</td> <td>83%</td> </tr> </tbody> </table> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	81%	2014	84%	2015	80%	2016	83%	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 83.14%</b></p> <p>This ratio shows that Council is less reliant on external funding sources and in a strong position when compared against the OLG's benchmark of 60%</p>
Year	Ratio %											
2013	81%											
2014	84%											
2015	80%											
2016	83%											
<p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark         </p>												
<p><b>3. Unrestricted current ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>3.6</td> </tr> <tr> <td>2014</td> <td>11.2</td> </tr> <tr> <td>2015</td> <td>6.0</td> </tr> <tr> <td>2016</td> <td>3.5</td> </tr> </tbody> </table> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (x)	2013	3.6	2014	11.2	2015	6.0	2016	3.5	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 3.51x</b></p> <p>This ratio indicates that Council has sufficient liquid assets on hand to meet short term obligations as they fall due.</p>
Year	Ratio (x)											
2013	3.6											
2014	11.2											
2015	6.0											
2016	3.5											
<p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark         </p>												

# The former Auburn City Council

## Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>4. Debt service cover ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>7.1</td> </tr> <tr> <td>2014</td> <td>6.5</td> </tr> <tr> <td>2015</td> <td>5.7</td> </tr> <tr> <td>2016</td> <td>12.3</td> </tr> </tbody> </table> <p>Benchmark: ——— Minimum <math>\geq 2.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (x)	2013	7.1	2014	6.5	2015	5.7	2016	12.3	<p><b>Purpose of debt service cover ratio</b></p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 12.32x</b></p> <p>This ratio shows that Council has a stronger capacity to repay debts than last year and is comparing favourably to the OLG benchmark of 2.</p>
Year	Ratio (x)											
2013	7.1											
2014	6.5											
2015	5.7											
2016	12.3											
<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>2%</td> </tr> <tr> <td>2014</td> <td>2%</td> </tr> <tr> <td>2015</td> <td>2%</td> </tr> <tr> <td>2016</td> <td>14%</td> </tr> </tbody> </table> <p>Benchmark: ——— Maximum <math>&lt; 5.00\%</math> Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	2%	2014	2%	2015	2%	2016	14%	<p><b>Purpose of rates and annual charges outstanding ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 13.50%</b></p> <p>This year ratio was effected by the 12 May 's year-end cut off instead of the tradition 30 June and excluding revenue collections during the 6 weeks period 13/6 to 30/6. As of 30 June the outstanding ratio was 2.12%.</p>
Year	Ratio %											
2013	2%											
2014	2%											
2015	2%											
2016	14%											
<p><b>6. Cash expense cover ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>10.9</td> </tr> <tr> <td>2014</td> <td>9.3</td> </tr> <tr> <td>2015</td> <td>11.4</td> </tr> <tr> <td>2016</td> <td>11.7</td> </tr> </tbody> </table> <p>Benchmark: ——— Minimum <math>\geq 3.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (mths)	2013	10.9	2014	9.3	2015	11.4	2016	11.7	<p><b>Purpose of cash expense cover ratio</b></p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 11.71 mths</b></p> <p>This ratio indicates that Council is holding a strong cash position and above the OLG's benchmark of 3.</p>
Year	Ratio (mths)											
2013	10.9											
2014	9.3											
2015	11.4											
2016	11.7											

## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
<b>Financial assets</b>				
Cash and cash equivalents	4,828	2,830	4,828	2,830
Investments				
– 'Held to maturity'	56,900	64,000	56,900	64,000
Receivables	10,238	3,545	10,238	3,545
<b>Total financial assets</b>	<b>71,966</b>	<b>70,375</b>	<b>71,966</b>	<b>70,375</b>
<b>Financial liabilities</b>				
Payables	12,110	7,950	12,110	7,950
Loans/advances	12,561	13,314	14,310	15,035
<b>Total financial liabilities</b>	<b>24,671</b>	<b>21,264</b>	<b>26,420</b>	<b>22,985</b>

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.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### 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.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>1/7/15 to 12/5/16</b>				
Possible impact of a 1% movement in interest rates	617	617	(617)	(617)
<b>1/7/14 to 30/6/15</b>				
Possible impact of a 1% movement in interest rates	668	668	(668)	(668)

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### 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.

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

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

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

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

	12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	88%	92%	0%	100%
Overdue	12%	8%	100%	0%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	5,557	3,679	–	2,324
< 1 year overdue	520	185	566	163
1 – 2 years overdue	71	42	88	89
2 – 5 years overdue	66	6	108	51
> 5 years overdue	73	93	110	94
	<b>6,287</b>	<b>4,005</b>	<b>872</b>	<b>2,721</b>
<b>(iii) Movement in provision for impairment of receivables</b>			<b>12/5/16</b>	<b>30/6/15</b>
Balance at the beginning of the period			48	356
+ new provisions recognised during the period			29	41
– amounts already provided for and written off this period			(5)	(349)
– amounts provided for but recovered during the period			(18)	
<b>Balance at the end of the period</b>			<b>54</b>	<b>48</b>

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### 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		
<b>1/7/15 to 12/5/16</b>									
Trade/other payables	1,230	10,880	–	–	–	–	–	12,110	<b>12,110</b>
Loans and advances	–	552	1,829	1,725	1,652	1,422	7,130	14,310	<b>12,561</b>
<b>Total financial liabilities</b>	<b>1,230</b>	<b>11,432</b>	<b>1,829</b>	<b>1,725</b>	<b>1,652</b>	<b>1,422</b>	<b>7,130</b>	<b>26,420</b>	<b>24,671</b>
<b>1/7/14 to 30/6/15</b>									
Trade/other payables	1,120	6,830	–	–	–	–	–	7,950	<b>7,950</b>
Loans and advances	–	1,973	1,925	1,861	1,827	1,611	8,990	18,187	<b>13,314</b>
<b>Total financial liabilities</b>	<b>1,120</b>	<b>8,803</b>	<b>1,925</b>	<b>1,861</b>	<b>1,827</b>	<b>1,611</b>	<b>8,990</b>	<b>26,137</b>	<b>21,264</b>

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:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–	8.34%	–	8.40%
Trade/other payables	12,110	0.00%	7,950	0.00%
Loans and advances – fixed interest rate	11,076	6.95%	11,829	5.90%
Loans and advances – variable interest rate	1,485	2.94%	1,485	3.30%
	<u>24,671</u>		<u>21,264</u>	

#### Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### 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	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing to/(from)	Held as restricted asset	Cumulative internal borrowings (due)/payable
		Cash	Non-cash					
Drainage	609	–	–	20	–	–	629	–
Parking	–	56	–	(133)	–	77	0	4,292
Open space	4,876	6	–	157	–	–	5,039	–
Community facilities	5,132	398	–	151	(1,406)	570	4,845	570
Accessibility and traffic	637	254	–	(127)	–	(93)	671	4,771
Public domain	5,062	857	–	–	(6,116)	197	–	(8,882)
Other	702	93	–	20	(171)	–	644	–
<b>S94 contributions – under a plan</b>	<b>17,018</b>	<b>1,664</b>	<b>–</b>	<b>88</b>	<b>(7,693)</b>	<b>751</b>	<b>11,828</b>	<b>751</b>
<b>S94A levies – under a plan</b>	<b>2,338</b>	<b>171</b>	<b>–</b>	<b>80</b>	<b>–</b>	<b>(751)</b>	<b>1,838</b>	<b>(751)</b>
<b>Total S94 revenue under plans</b>	<b>19,356</b>	<b>1,835</b>	<b>–</b>	<b>168</b>	<b>(7,693)</b>	<b>–</b>	<b>13,667</b>	<b>–</b>
<b>Total contributions</b>	<b>19,356</b>	<b>1,835</b>	<b>–</b>	<b>168</b>	<b>(7,693)</b>	<b>–</b>	<b>13,667</b>	<b>–</b>

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## 2007 Section 94 Contribution Plan

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing to/(from)	Held as restricted asset	Cumulative internal borrowings (due)/payable
		Cash	Non-cash					
Drainage	609	–	–	20	–	–	629	–
Parking	–	56	–	(133)	–	77	0	4,292
Community facilities	148	396.00	–	–	(1,114)	570	–	570
Accessibility and traffic	–	241	–	(148)	–	(93)	0	4,771
Public domain	5,062	857	–	–	(6,116)	197	–	(8,882)
Other	702	93	–	20	(171)	–	644	–
<b>Total</b>	<b>6,521</b>	<b>1,644</b>	<b>–</b>	<b>(241)</b>	<b>(7,401)</b>	<b>751</b>	<b>1,274</b>	<b>751</b>

## 2007 Section 94 Contribution Plan - Carter Street

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing to/(from)	Held as restricted asset	Cumulative internal borrowings (due)/payable
		Cash	Non-cash					
Accessibility and traffic	98	9	–	4	–	–	111	–
<b>Total</b>	<b>98</b>	<b>9</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>111</b>	<b>–</b>



## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## 2007 Section 94 Contribution Plan - Homebush Bay

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing to/(from)	Held as restricted asset	Cumulative internal borrowings (due)/payable
		Cash	Non-cash					
Open space	4,876	6	–	157	–	–	5,039	–
Community facilities	4,984	2	–	151	(292)	–	4,845	–
Accessibility and traffic	539	3	–	17	–	–	559	–
<b>Total</b>	<b>10,399</b>	<b>11</b>	<b>–</b>	<b>325</b>	<b>(292)</b>	<b>–</b>	<b>10,443</b>	<b>–</b>

**S94A LEVIES – UNDER A PLAN**

## CONTRIBUTION PLAN

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing to/(from)	Held as restricted asset	Cumulative internal borrowings (due)/payable
		Cash	Non-cash					
Other	2,338	171	–	80	–	(751)	1,838	(751)
<b>Total</b>	<b>2,338</b>	<b>171</b>	<b>–</b>	<b>80</b>	<b>–</b>	<b>(751)</b>	<b>1,838</b>	<b>(751)</b>

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## 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.

Council has been required to provide additional \$257,699 contributions each year since 2011 for a period of up to ten years in order to rectify this deficit.

#### LIABILITIES NOT RECOGNISED:

##### (1) Defined Benefit Superannuation

Council participates in an employer sponsored defined benefit superannuation scheme, Local Government Superannuation Scheme - Pool B (the Scheme), and makes contributions as determined by the superannuation scheme's Trustees. Member councils bear the responsibility of ensuring there are sufficient funds available to pay out the required benefit as these members cease employment.

The Scheme is a defined benefit plan that has been deemed to be a "multi-employed fund" for the purpose of AASB 119. Sufficient information under AASB 119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all member Councils.

The last valuation for the Scheme was performed by Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covered the period ended 30 June 2013, that the Scheme still had a deficit of \$227 million. The next valuation is required for the period ended 30 June 2016.

The share of this deficit that can be broadly attributed to Council, was estimated to be in the order of \$515,938 (2015: \$773,097). As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member Councils, the amount of such a payment is not able to be reliably quantified.

##### (2) Potential Insurance Losses

Council is a multi-purpose organisation providing a large range of building, park infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies covered by Metro Pool and UIP (refer below), each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

A \$1.75m claim has been lodged with the Council's insurers in respect of certification provided on the Water Street building in Lidcombe for deficiencies in the approval process. Any liability in this matter is covered by Council's public liabilities insurance, subject to the policy insurance excess of \$100,000.

## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

###### (i) Metro Pool

Council is a member of Metro Pool, a co-operative self insurance scheme established in 1990 to help stabilise insurance premium costs, achieve significant cost savings and long term benefits for member Councils through effective risk management. There are nine member Councils joined together to secure adequate public liability and professional indemnity cover. Financial contributions to the Pool are based on the relative size of each Council and incorporate a proportion of underlying claims experience so as to reflect risk exposure.

###### (ii) United Independent Pools

United Independent Pools (UIP) is an incorporated organisation initially formed in 2005 by two Sydney based Local Government risk management pools - Westpool and Metro Pool. The UIP's provide risk management of property (industrial special risk), motor vehicle, Council officers statutory liabilities, and fidelity guarantee to cover the 17 member Councils.

Council has adopted the equity method to account for the interest in Metro Pool and UIP's.

At the reporting date, there is no requirement for member Councils to fund any shortfall and no future funding is anticipated. Refer Note 19 for details.

###### (3) Legal Expenses

Council is the planning consent for its area under the Environmental Planning and Assessment Act (as amended). Pursuant to the Act, certain persons aggrieved by a planning decision of Council may appeal to the Land and Environmental Court. It is the Court's normal practice that parties bear their own legal costs. At the reporting date, Council has not had an appeal against any planning decisions made prior to the year ended 12 May 2016. All known costs

###### (3) Legal Expenses (continued)

have been recognised but the amount of further costs cannot be known until the appeals are determined.

###### (4) S94 Developer Contribution Plans

Council levies Section 94/94A developer contributions upon various development across Council area through the required Contribution 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 intention to spend funds in the manner and timing set out in those plans. Refer to Note 17.

###### (5) Workers Compensation

Council moved to StateCover from 1 January 2016. 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.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

#### Joint ventures and associates

**Note 19(a)**

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

#### Accounting recognition:

(i) Joint ventures and associates as per Note 19(a) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15	Actual 30/6/16	Actual 30/6/15
Joint ventures	–	–	–	–
Associates	127	38	1,540	1,413
<b>Total</b>	<b>127</b>	<b>38</b>	<b>1,540</b>	<b>1,413</b>

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

\$ '000

##### (a) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	30/6/16	30/6/15
Metro Pool	Associate	Equity	1,222	1,091
United Independent Pools	Associate	Equity	318	322
<b>Total carrying amounts – material joint ventures and associates</b>			<b>1,540</b>	<b>1,413</b>

##### (b) Details

Name of entity	Principal activity	Place of business
Metro Pool	Public liability, prof Indemnity	Penrith
United Independent Pools	Property and vehicle etc	Penrith

##### (c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015
Metro Pool	13%	13%	13%	13%	13%	13%
United Independent Pools	5%	5%	5%	5%	5%	5%

##### (d) Summarised financial information for joint ventures and associates

##### Reporting dates of joint ventures and associates

The financial position and performance of joint ventures and associated for the financial year ended 30 June 2016 have been used in these consolidated financial statements.

The joint ventures and arrangements did not have any significant transactions occurring in the period from 13 May 2016 to 30 June 2016 that would have materially affected the consolidated financial statements.

Statement of financial position	Metro Pool		United Independent Pools	
	30/6/16	30/6/15	30/6/16	30/6/15
<b>Current assets</b>				
Cash and cash equivalents	28	–	171	–
Other current assets	5,998	4,762	4,177	6,026
<b>Total current assets</b>	<b>6,026</b>	<b>4,762</b>	<b>4,348</b>	<b>6,026</b>
<b>Non-current assets</b>	<b>16,408</b>	<b>15,491</b>	<b>8,538</b>	<b>5,761</b>
<b>Current liabilities</b>				
Financial liabilities (excl. accounts payable)	1,659	–	2,800	–
Other current liabilities	206	1,237	346	1,808
<b>Total current liabilities</b>	<b>1,865</b>	<b>1,237</b>	<b>3,146</b>	<b>1,808</b>
<b>Non-current liabilities</b>	<b>11,147</b>	<b>10,644</b>	<b>2,454</b>	<b>2,462</b>
<b>Net assets</b>	<b>9,422</b>	<b>8,372</b>	<b>7,286</b>	<b>7,517</b>

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 19. Interests in other entities (continued)

\$ '000

## (a) Joint ventures and associates

## (d) Summarised financial information for joint ventures and associates cont'd

	Metro Pool		United Independent Pools	
	1/7/15 to 30/6/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/14 to 30/6/15
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	8,372	8,327	7,517	6,906
Profit/(loss) for the period	1,050	45	(231)	611
<b>Closing net assets</b>	<b>9,422</b>	<b>8,372</b>	<b>7,286</b>	<b>7,517</b>
<b>Council's share of net assets (%)</b>	<b>13.0%</b>	<b>13.0%</b>	<b>4.4%</b>	<b>4.3%</b>
<b>Council's share of net assets (\$)</b>	<b>1,222</b>	<b>1,091</b>	<b>318.98</b>	<b>322</b>
<b>Statement of comprehensive income</b>				
Income	3,590	4,481	8,551	10,283
Interest income	774	–	423	–
Other expenses	(3,314)	(4,437)	(9,205)	(9,672)
<b>Profit/(loss) from continuing operations</b>	<b>1,050</b>	<b>44</b>	<b>(231)</b>	<b>611</b>
<b>Profit/(loss) for period</b>	<b>1,050</b>	<b>44</b>	<b>(231)</b>	<b>611</b>
<b>Total comprehensive income</b>	<b>1,050</b>	<b>44</b>	<b>(231)</b>	<b>611</b>
<b>Share of income – Council (%)</b>	<b>12.5%</b>	<b>74.2%</b>	<b>1.6%</b>	<b>0.9%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>131</b>	<b>33</b>	<b>(4)</b>	<b>5</b>
<b>Total comprehensive income – Council (\$)</b>	<b>131</b>	<b>33</b>	<b>(4)</b>	<b>5</b>

## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of period (from previous year's audited accounts)		1,582,856	1,574,294
a. Net operating result for the period		10,019	8,562
<b>Balance at end of the reporting period</b>		<b><u>1,592,875</u></b>	<b><u>1,582,856</u></b>

#### (b) Revaluation reserves

##### (i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve		779,400	779,400
<b>Total</b>		<b><u>779,400</u></b>	<b><u>779,400</u></b>

##### (ii) Reconciliation of movements in reserves:

<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		779,400	668,945
– Revaluations for the period	9(a)	–	110,455
<b>– Balance at end of period</b>		<b><u>779,400</u></b>	<b><u>779,400</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>779,400</u></b>	<b><u>779,400</u></b>

##### (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.

#### (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 reporting period.

#### (e) Changes in accounting estimates

Council made no changes in accounting estimates during the reporting period.

## The former Auburn City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 21. Financial result and financial position by fund

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 \$ '000
 

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Council utilises only a general fund for its operations.

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

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>(i) Non-current assets and disposal group assets</b>				
<b>Non-current assets 'held for sale'</b>				
Land	–	–	6,500	–
<b>Total non-current assets 'held for sale'</b>	<b>–</b>	<b>–</b>	<b>6,500</b>	<b>–</b>
<b>Disposal group assets 'held for sale'</b>				
None				
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>6,500</u></b>	<b><u>–</u></b>

\$ '000	Assets 'held for sale'	
	12/5/16	30/6/15

**(ii) Reconciliation of non-current assets  
'held for sale' and disposal groups  
– i.e. discontinued operations**

<b>Opening balance</b>	6,500	6,500
<b>Balance still unsold after 12 months:</b>	6,500	6,500
Less: assets no longer classified as 'held for sale'	(6,500)	–
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b><u>–</u></b>	<b><u>6,500</u></b>

Refer to Note 27. Fair value measurement for fair value measurement information.



## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 23. Events occurring after the reporting date

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\$ '000

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Events that occur between the end of the reporting period (12 May 2016) 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 05/10/16.

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 12 May 2016.

##### **(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 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

#### **Council is aware of the following 'non-adjusting events' that merit disclosure:**

##### **Amalgamation of operations for the former Auburn City Council to form Cumberland Council**

From midday on 12 May 2016, operations for the former Auburn City Council's operations would be amalgamated with Holroyd City Council (excluding May Hill) and part of Parramatta City Council (Woodville ward) to form the new council Cumberland Council.

The proclamation automatically transfers the assets, rights, and liabilities of operations for the former Auburn City Council to Cumberland Council on 13 May 2016.

The proclamation ensures that any reference in any document to operations for the former Auburn City Council is to be read as a reference to Cumberland Council, and that anything done by operations for the former Auburn City Council before the amalgamation is taken to have been done by Cumberland Council.

These clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position at 12 May 2016 of operations for the former Auburn City Council and its financial performance for the period 1 July 2015 to 12 May 2016.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 24. Discontinued operations

\$ '000

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

#### Note 25. Intangible assets

\$ '000	Actual 12/5/16	Actual 30/6/15
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	2,484	452
Accumulated amortisation (1/7)	(410)	(381)
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>2,074</b>	<b>71</b>
<b>Movements for the period</b>		
– Purchases	502	2,032
– Amortisation charges	(197)	(29)
<b>Closing values:</b>		
Gross book value (12/5/16)	2,986	2,484
Accumulated amortisation (12/5/16)	(607)	(410)
Accumulated impairment (12/5/16)	–	–
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE<sup>1</sup></b>	<b>2,379</b>	<b>2,074</b>

<sup>1</sup> The net book value of intangible assets represent:

– Software for accounting and corporate system	2,379	2,074
	<b>2,379</b>	<b>2,074</b>

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

1/7/15 to 12/5/16	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital work in progress	n/a	–	–	17,756	17,756
Plant and equipment	30/06/15	–	–	4,841	4,841
Office equipment	30/06/15	–	–	1,600	1,600
Furniture and fittings	30/06/15	–	–	957	957
Operational land	30/06/13	–	–	118,073	118,073
Community land	30/06/11	–	–	447,845	447,845
Land under roads	30/06/15	–	–	1,188,195	1,188,195
Land improvements depreciable	30/06/13	–	–	4,556	4,556
Buildings non-specialised	30/06/13	–	–	64,471	64,471
Library books	12/05/16	–	–	1,731	1,731
Other	30/06/15	–	–	270	270
Other structures	30/06/11	–	–	1,455	1,455
Roads	30/06/15	–	–	274,075	274,075
Bridges	30/06/15	–	–	14,832	14,832
Footpaths	30/06/15	–	–	36,463	36,463
Stormwater drainage	30/06/15	–	–	124,947	124,947
Swimming pool	30/06/13	–	–	3,813	3,813
Other open space/recreational assets	30/06/13	–	–	22,823	22,823
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>2,328,703</b>	<b>2,328,703</b>

## The former Auburn City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital work in progress	n/a	—	—	15,203	15,203
Plant and equipment	30/6/15	—	—	3,590	3,590
Office equipment	30/6/15	—	—	382	382
Furniture and fittings	30/6/15	—	—	852	852
Operational land	30/6/13	—	—	111,389	111,389
Community land	30/6/11	—	—	443,664	443,664
Land under roads	30/6/15	—	—	1,188,195	1,188,195
Land improvements depreciable	30/6/13	—	—	4,600	4,600
Buildings non-specialised	30/6/13	—	—	65,006	65,006
Library books	30/6/15	—	—	1,299	1,299
Other	30/6/15	—	—	275	275
Other structures	30/6/11	—	—	1,435	1,435
Roads	30/6/15	—	—	269,405	269,405
Bridges	30/6/15	—	—	15,083	15,083
Footpaths	30/6/15	—	—	36,395	36,395
Stormwater drainage	30/6/15	—	—	125,781	125,781
Swimming pool	30/6/13	—	—	3,930	3,930
Other open space/recreational assets	30/6/13	—	—	22,746	22,746
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>2,309,230</b>	<b>2,309,230</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Operational land	30/6/14	—	—	6,500	6,500
<b>Total NCA's classified as 'held for sale'</b>		<b>—</b>	<b>—</b>	<b>6,500</b>	<b>6,500</b>

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

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

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

\$ '000

#### (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 (ie. 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:

#### Infrastructure, property, plant and equipment (IPP&E)

##### Buildings

The Council engages external, independent and qualified valuers to determine the fair value of Council's buildings. Buildings were last revalued in the 30 June 2013 financial year and the fair values were determined by Scott Fullarton Valuations Pty. Ltd. Gross value for each building is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input being the rate per square metre has been benchmarked to construction costs of similar properties across the industry.

##### Land (Operational, Community and Land Under Roads)

The Council engages external, independent and qualified valuers to determine the fair value of the Council's operational land. Valuations for community Land and Land Under Roads is performed by the Council's internal valuations team. The fair value of operational land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land. The fair value for community land and land under roads has been determined using a unit rate per square metre derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of community land and land under roads, comparable sales data is generally not available. As the Valuer General's valuation considers ;and in all zonings, average unit derived from the Valuer General's valuation is considered the most practical approach to valuing community land and land under roads. Community land was last revalued at 30 June 2011: Operational land was last revalued at 30 June 2013 and Land Under Roads was last revalued at 30 June 2015.

The key unobservable input to the valuation is the rate per square meter.

##### Infrastructure Assets

The Council engages external, independent and qualified valuers to determine the fair value of Council's infrastructure assets. Infrastructure assets were last revalued in the 30 June 2015 financial year.

All road network infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

While the unit rates are based on quantitative dimensional units being square metres or lineal metres and can be supported from market evidence (level 2) other inputs (such as estimates of useful lives, remaining life profiles, residual values and asset conditions) required extensive professional judgement which impacts significantly on the final determination of the assets fair value.

## The former Auburn City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

\$ '000

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

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

	Financial assets	Infrastructure, property, plant and equipment	NCAs classified as 'held for sale'	Total
<b>Opening balance – 1/7/14</b>	1,402	2,196,602	6,500	2,204,504
Purchases (GBV)	–	18,830	–	18,830
Disposals (WDV)	(1,500)	(2,111)	–	(3,611)
Depreciation and impairment	–	(12,514)	–	(12,514)
FV gains – other comprehensive income	–	110,455	–	110,455
FV gains – Income Statement <sup>1</sup>	98	–	–	98
Other movement (transfer to intangible asset)	–	(2,032)	–	(2,032)
<b>Closing balance – 30/6/15</b>	<b>–</b>	<b>2,309,230</b>	<b>6,500</b>	<b>2,315,730</b>
Purchases (GBV)	–	26,378	–	26,378
Disposals (WDV)	–	(1,840)	–	(1,840)
Depreciation and impairment	–	(11,061)	–	(11,061)
Other movement (transfer to Community Land)	–	6,500	(6,500)	–
Other movement (Transfer to intangible asset)	–	(504)	–	(504)
<b>Closing balance – 12/5/16</b>	<b>–</b>	<b>2,328,703</b>	<b>–</b>	<b>2,328,703</b>

#### (5). Highest and best use

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

## The former Auburn City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 28. Council information and contact details

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**Principal place of business:**

Civic Place, 1 Susan Street  
Auburn NSW 2144

**Contact details**

**Mailing address:**

PO Box 118  
Auburn NSW 1835

**Opening hours:**

Monday to Friday 8:30am - 4:30pm  
Call Centre: Monday to Friday 8:15am - 4:45pm

**Telephone:** 02 9735 1222

**Facsimile:** 02 9643 1120

**Internet:** [www.auburn.nsw.gov.au](http://www.auburn.nsw.gov.au)

**Email:** [auburncouncil@auburn.nsw.gov.au](mailto:auburncouncil@auburn.nsw.gov.au)

**Officers**

**INTERIM GENERAL MANAGER**  
MALCOLM RYAN

**Members**

**ADMINISTRATOR**  
VIV MAY

**RESPONSIBLE ACCOUNTING OFFICER**

RICHARD SHERIDAN

**Other information**

**ABN:** 63 914 691 587



## **The former Auburn City Council**

### **Independent auditor's report– s417 (2) Report on the general purpose financial statements**

#### **Report on the financial statements**

We have audited the accompanying financial statements of the former Auburn City Council, which comprise the statement of financial position as at 12 May 2016 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, accompanying notes to the financial statements and the Statement by the Administrator and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

#### *Administrator's responsibility for the financial statements*

The Administrator of the former Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993 and for such internal control as the Administrator 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.

#### *Auditor's responsibility*

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the attached Special Schedules, and accordingly, we express no opinion on them.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Auditor's opinion:*

In our opinion:

- (a) the former 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); and
- (b) the financial statements:
  - (i) have been presented, in all material respects, in accordance with the requirements of this Division
  - (ii) are consistent with the former Council's accounting records
  - (iii) present fairly, in all material respects, the former Council's financial position as at 12 May 2016 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A blue ink signature of a PricewaterhouseCoopers representative, written in a cursive style, positioned above the printed name 'PricewaterhouseCoopers'.

A blue ink signature of Marc Upercroft, written in a cursive style, positioned above the printed name 'Marc Upercroft' and the title 'Partner'.

Sydney  
4 November 2016



The Administrator  
Mr Viv May  
Cumberland Council  
PO Box 188  
AUBURN NSW 2144

Dear Mr May

## **Report on the conduct of the Audit for period ended 12 May 2016 – Section 417(3) in respect to the former Auburn City Council**

We have completed our audit of the financial reports of the Council for the period ended 12 May 2016, in accordance with Section 415 of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

### ***Operating result***

Council's operating surplus improved from \$9 million in the previous year to \$10 million in the current period. The net operating result before Capital Contributions was a surplus of \$5 million compared to a surplus of \$2 million in the previous year.

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### ***Cash position***

Council's overall cash position declined from \$67 million to \$62 million during the period under review. The following table highlights the composition of cash.

	<b>2016</b>	<b>2015</b>
	<b>\$m</b>	<b>\$m</b>
Externally restricted	17	23
Internally restricted	25	32
Unrestricted	20	12
<b>Total</b>	<b>62</b>	<b>67</b>

### ***Working capital***

Council's net current assets declined from \$44 million to \$38 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	<b>2016</b>	<b>2015</b>
	<b>\$m</b>	<b>\$m</b>
Net current assets	38	44
Less: External restrictions	(4)	(5)
Internal restrictions	(25)	(32)
Add: Current liabilities deferred	4	5
<b>Available working capital</b>	<b>13</b>	<b>12</b>

The effective unrestricted or available working capital upon which Council could build its 2017 budget was \$13 million.

### ***Performance indicators***

The financial reports disclose of a number of indicators in Note 13 and these are detailed below:

	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
Operating Performance Ratio	9	2
Own Source Operating Revenue Ratio	83	80
Unrestricted Current Ratio	351	601
Debt Service Cover Ratio	1232	568
Rates Outstanding Ratio	14	1.9
Cash Expense Cover Ratio	12	11

The Operating Performance Ratio improved to stand above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio increased to 83% and remained above the industry benchmark of 60%.



The Unrestricted Current Ratio declined but remained above the industry benchmark of 150%.

The Debt Service Cover Ratio increased and remained above the industry benchmark of 200%.

The Rates Outstanding Ratio increased to well above the industry benchmark of 5% because of the early year-end. Had the ratio been calculated at June 30 it would have been within the benchmark.


The Cash Expense Cover Ratio indicates that Council could continue to cover its operating costs for 12 months should cash inflows cease. This compares favourably with the industry benchmark of 3 months.

Council was in a sound and stable financial position at the time of its closure.

### **General**

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the Interim General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

  
PricewaterhouseCoopers

  
Marc Upcroft  
Partner

Sydney

# The former Auburn City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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**MANY CULTURES ONE COMMUNITY**  **AUBURN CITY COUNCIL**

## The former Auburn City Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	3
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	5
<b>3. Notes to the Special Purpose Financial Statements</b>	7
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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## The former Auburn City Council

### Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

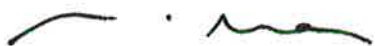
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period, 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 Cumberland Council made on 02 November 2016.**



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VIV MAY  
Administrator



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MALCOLM RYAN  
Interim General Manager



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RICHARD SHERIDAN  
Responsible Accounting Officer

## The former Auburn City Council

## Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

\$ '000	Golf Course		Child Care	
	Category 2		Category 2	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	528	607	396	408
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	451	496
Profit from the sale of assets	–	–	–	–
Other income	1	–	–	–
<b>Total income from continuing operations</b>	<b>529</b>	<b>607</b>	<b>847</b>	<b>904</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	325	395	700	704
Borrowing costs	–	–	–	–
Materials and contracts	390	520	94	130
Depreciation and impairment	34	34	37	45
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	72	69	55	54
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	56	49	16	26
<b>Total expenses from continuing operations</b>	<b>877</b>	<b>1,067</b>	<b>902</b>	<b>959</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(348)</b>	<b>(460)</b>	<b>(55)</b>	<b>(55)</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(348)</b>	<b>(460)</b>	<b>(55)</b>	<b>(55)</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(348)</b>	<b>(460)</b>	<b>(55)</b>	<b>(55)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(348)</b>	<b>(460)</b>	<b>(55)</b>	<b>(55)</b>
<b>Plus opening retained profits</b>	(1,702)	(1,311)	(1,600)	(1,599)
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	72	69	55	54
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	–	–	–	–
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
<b>Closing retained profits</b>	<b>(1,978)</b>	<b>(1,702)</b>	<b>(1,600)</b>	<b>(1,600)</b>
<b>Return on capital %</b>	<b>-0.5%</b>	<b>-0.7%</b>	<b>-0.9%</b>	<b>-0.9%</b>
<b>Subsidy from Council</b>	<b>1,863</b>	<b>2,434</b>	<b>201</b>	<b>247</b>



## The former Auburn City Council

## Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Aged Care Units		Advertising Signs	
	Category 2		Category 2	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	271	304	–	–
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	–	421	534
<b>Total income from continuing operations</b>	<b>271</b>	<b>304</b>	<b>421</b>	<b>534</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	14	10	–	–
Borrowing costs	–	–	–	–
Materials and contracts	164	80	–	–
Depreciation and impairment	289	332	–	–
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	73	39	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	94	84	–	–
<b>Total expenses from continuing operations</b>	<b>634</b>	<b>545</b>	<b>–</b>	<b>–</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(363)</b>	<b>(241)</b>	<b>421</b>	<b>534</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(363)</b>	<b>(241)</b>	<b>421</b>	<b>534</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(363)</b>	<b>(241)</b>	<b>421</b>	<b>534</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(126)	(160)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(363)</b>	<b>(241)</b>	<b>295</b>	<b>374</b>
<b>Plus opening retained profits</b>	<b>(808)</b>	<b>(606)</b>	<b>6,391</b>	<b>5,857</b>
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	73	39	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	–	–	126	160
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
<b>Closing retained profits</b>	<b>(1,098)</b>	<b>(808)</b>	<b>6,812</b>	<b>6,391</b>
<b>Return on capital %</b>	<b>-3.4%</b>	<b>-2.2%</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>611</b>	<b>571</b>	<b>–</b>	<b>–</b>

## The former Auburn City Council

## Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Golf Course		Child Care	
	Category 2		Category 2	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	–	–
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	65,578	65,378	6,331	6,351
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>65,578</b>	<b>65,378</b>	<b>6,331</b>	<b>6,351</b>
<b>TOTAL ASSETS</b>	<b>65,578</b>	<b>65,378</b>	<b>6,331</b>	<b>6,351</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	2,518	2,042	2,115	2,135
Provisions	88	88	159	159
<b>Total current liabilities</b>	<b>2,606</b>	<b>2,130</b>	<b>2,274</b>	<b>2,294</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>2,606</b>	<b>2,130</b>	<b>2,274</b>	<b>2,294</b>
<b>NET ASSETS</b>	<b>62,972</b>	<b>63,248</b>	<b>4,057</b>	<b>4,057</b>
<b>EQUITY</b>				
Retained earnings	(1,978)	(1,702)	(1,600)	(1,600)
Revaluation reserves	64,950	64,950	5,657	5,657
Council equity interest	<b>62,972</b>	<b>63,248</b>	<b>4,057</b>	<b>4,057</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>62,972</b>	<b>63,248</b>	<b>4,057</b>	<b>4,057</b>

## The former Auburn City Council

## Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Aged Care Units		Advertising Signs	
	Category 2		Category 2	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	66	6,812	6,391
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>–</b>	<b>66</b>	<b>6,812</b>	<b>6,391</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	10,721	10,922	–	–
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>10,721</b>	<b>10,922</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>10,721</b>	<b>10,988</b>	<b>6,812</b>	<b>6,391</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	23	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
<b>Total current liabilities</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>23</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>10,698</b>	<b>10,988</b>	<b>6,812</b>	<b>6,391</b>
<b>EQUITY</b>				
Retained earnings	(1,098)	(808)	6,812	6,391
Revaluation reserves	11,796	11,796	–	–
Council equity interest	<b>10,698</b>	<b>10,988</b>	<b>6,812</b>	<b>6,391</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>10,698</b>	<b>10,988</b>	<b>6,812</b>	<b>6,391</b>

## The former Auburn City Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

## The former Auburn City Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

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

#### Declared business activities

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

##### Category 1

(where gross operating turnover is over \$2 million)

Council had no Category 1 Business activities

##### Category 2

(where gross operating turnover is less than \$2 million)

##### a. Golf Course

Provision for generating income through the operation of a Golf Course

##### b. Child Care

Provision of Children's Long Day Care Services

##### c. Aged Care Units

Provision of providing accommodation for aged services

##### d. Advertising Signs

Provision for generating income via the leasing of advertising space within the local government area.

#### Monetary amounts

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

## The former Auburn City Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the period.

##### Local government rates and charges

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

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

## The former Auburn City Council

### Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies (continued)

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The overall effect of subsidies is contained within the Income Statement of each reported business activity.

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

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

**Operating result before capital income + interest expense**

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**Written down value of I,PP&E as at 12 May**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

##### **(iv) Dividends**

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.



## **The former Auburn City Council**

### **Independent auditor's report Report on the special purpose financial statements**

#### **Report on the financial statements**

We have audited the accompanying financial statements, being the special purpose financial statements, of The former Auburn City Council (the former Council), which comprises the Statement of Financial Position by Business Activity for the year ended 12 May 2016, the Income Statements by Business Activity for the year then ended, notes to the financial statements for the Business Activities identified by the Administrator and the Statement by the Administrator and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 12 May 2016.

#### *Administrator's responsibility for the financial report*

The Administrator of the former Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial statements, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Administrator's responsibility also includes such internal control as the Administrator determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

#### *Auditor's responsibility*

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

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

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





*Auditor's opinion:*

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of The former Auburn City Council as of 12 May 2016 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

*Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Administrator's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Administrator.



PricewaterhouseCoopers



Marc Upercroft  
Partner

Sydney  
4 November 2016

# The former Auburn City Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

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**MANY CULTURES ONE COMMUNITY**



# The former Auburn City Council

## Special Schedules

for the period 1 July 2015 to 12 May 2016

### Contents

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#### Special Schedules<sup>1</sup>

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2(a)</b>	Statement of Long Term Debt (all purposes)	4
<b>Special Schedule 7</b>	Report on Infrastructure Assets	5

<sup>1</sup> Special Schedules are not audited.

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#### 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.

## The former Auburn City Council

Special Schedule 1 – Net Cost of Services  
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	434	–	–	(434)
<b>Administration</b>	12,872	2,904	–	(9,968)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	677	–	–	(677)
Beach control	–	–	–	–
Enforcement of local government regulations	604	843	–	239
Animal control	57	25	–	(32)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>1,338</b>	<b>868</b>	–	<b>(470)</b>
<b>Health</b>	<b>229</b>	–	–	<b>(229)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	2	19	–	17
Solid waste management	9,304	10,218	–	914
Street cleaning	1,518	1	–	(1,517)
Drainage	1,442	727	–	(715)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>12,266</b>	<b>10,965</b>	–	<b>(1,301)</b>
<b>Community services and education</b>				
Administration and education	583	300	–	(283)
Social protection (welfare)	–	–	–	–
Youth services	96	40	–	(56)
Aged persons and disabled	664	384	–	(280)
Children's services	849	847	–	(2)
<b>Total community services and education</b>	<b>2,192</b>	<b>1,571</b>	–	<b>(621)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	127	–	–	(127)
Street lighting	1,247	–	–	(1,247)
Town planning	3,403	1,793	1,835	225
Other community amenities	2,083	68	–	(2,015)
<b>Total housing and community amenities</b>	<b>6,860</b>	<b>1,861</b>	<b>1,835</b>	<b>(3,164)</b>

## The former Auburn City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	2,309	271	30	(2,008)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	220	75	–	(145)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	2,799	247	–	(2,552)
Sporting grounds and venues	771	530	–	(241)
Swimming pools	359	150	–	(209)
Parks and gardens (lakes)	6,579	578	–	(6,001)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>13,037</b>	<b>1,851</b>	<b>30</b>	<b>(11,156)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	54	146	–	92
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>54</b>	<b>146</b>	<b>–</b>	<b>92</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	1,080	1,835	41	796
Urban roads – regional	336	341	–	5
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	973	347	–	(626)
Footpaths	151	–	–	(151)
Aerodromes	–	–	–	–
Other transport and communication	7,905	694	2,749	(4,462)
<b>Total transport and communication</b>	<b>10,445</b>	<b>3,217</b>	<b>2,790</b>	<b>(4,438)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	3	208	–	205
<b>Total economic affairs</b>	<b>3</b>	<b>208</b>	<b>–</b>	<b>205</b>
<b>Totals – functions</b>	<b>59,730</b>	<b>23,591</b>	<b>4,655</b>	<b>(31,484)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>41,376</b>		<b>41,376</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>127</b>		<b>127</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>59,730</b>	<b>65,094</b>	<b>4,655</b>	<b>10,019</b>

(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 per the Income Statement

## The former Auburn City Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Financial institutions	1,174	12,140	<b>13,314</b>	–	753	–	–	690	1,558	11,003	<b>12,561</b>
<b>Total debt</b>	<b>1,174</b>	<b>12,140</b>	<b>13,314</b>	<b>–</b>	<b>753</b>	<b>–</b>	<b>–</b>	<b>690</b>	<b>1,558</b>	<b>11,003</b>	<b>12,561</b>

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 is reported in the GPFS).

## The former Auburn City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

**\$'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	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Office/Administration	203		18	355	22,015	31,437	65%	32%	2%	1%	0%
	Council Work Depot	642		51	624	1,538	5,128	0%	3%	63%	34%	0%
	Childcare Centres	–		12	43	715	1,529	0%	28%	72%	0%	0%
	Health Centres	–		13	9	1,325	2,549	0%	52%	48%	0%	0%
	Council Houses/Units	2,158		135	183	4,882	14,482	0%	28%	43%	27%	2%
	Council Public Halls	2,528		131	183	12,002	21,964	71%	0%	10%	19%	0%
	Libraries	113		29	141	2,462	5,052	0%	55%	40%	5%	0%
	Car Parks	24		94	501	18,546	26,468	82%	0%	18%	0%	0%
	Other	35		13	–	986	2,063	0%	47%	49%	4%	0%
<b>Sub-total</b>	<b>5,703</b>	<b>–</b>	<b>496</b>	<b>2,039</b>	<b>64,471</b>	<b>110,672</b>	<b>52.2%</b>	<b>17.9%</b>	<b>20.2%</b>	<b>9.5%</b>	<b>0.3%</b>	
<b>Other structures</b>	Other structures	–		–	–	1,455	1,590	99%	1%	0%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,455</b>	<b>1,590</b>	<b>99.0%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	8,373		1,016	2,474	274,074	326,202	34%	39%	22%	4%	1%
	Bridges	–		85	390	14,833	23,216	68%	8%	24%	0%	0%
	Footpaths	180		268	364	36,463	48,691	7%	49%	43%	1%	0%
	<b>Sub-total</b>	<b>8,553</b>	<b>–</b>	<b>1,369</b>	<b>3,228</b>	<b>325,370</b>	<b>398,109</b>	<b>32.7%</b>	<b>38.4%</b>	<b>24.7%</b>	<b>3.4%</b>	<b>0.8%</b>

## The former Auburn City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–		–	567	124,947	166,802	78%	22%	0%	0%	0%
	<b>Sub-total</b>	<b>–</b>		<b>–</b>	<b>567</b>	<b>124,947</b>	<b>166,802</b>	<b>78.0%</b>	<b>22.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	438		67	232	3,813	9,260	0%	44%	46%	10%	0%
	Other	2,569		145	42	22,823	37,593	24%	10%	27%	39%	0%
	<b>Sub-total</b>	<b>3,007</b>	<b>–</b>	<b>212</b>	<b>274</b>	<b>26,636</b>	<b>46,853</b>	<b>19.3%</b>	<b>16.7%</b>	<b>30.8%</b>	<b>33.3%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>17,263</b>	<b>–</b>	<b>2,077</b>	<b>6,108</b>	<b>542,879</b>	<b>724,026</b>	<b>45.4%</b>	<b>30.0%</b>	<b>18.7%</b>	<b>5.5%</b>	<b>0.5%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required



## The former Auburn City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods	
			30/6/15	30/6/14
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>17,390</u>	180.51%	70.97%	155.20%
Depreciation, amortisation and impairment	<u>9,634</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>17,263</u>	3.15%	1.65%	4.33%
Carrying value of infrastructure assets	<u>547,435</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>6,108</u>	2.94	1.01	0.80
Required asset maintenance	<u>2,077</u>			
<b>4. Capital expenditure ratio</b>				
Annual capital expenditure	<u>24,536</u>	2.18	1.33	1.24
Annual depreciation	<u>11,258</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.