



CUMBERLAND
COUNCIL



Cumberland Council

GENERAL PURPOSE FINANCIAL STATEMENTS

13 May 2016 - 30 June 2017

Cumberland Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Cumberland Council.
- (ii) Cumberland 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 the Council on 20 December 2017. Council has the power to amend and reissue these financial statements.
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Cumberland Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the period 13 May 2016 to 30 June 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Cumberland Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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:

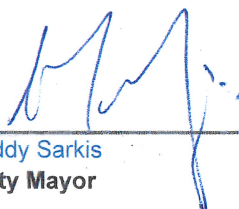
- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 20 December 2017.




Clr Greg Cummings
Mayor



Clr Eddy Sarkis
Deputy Mayor



Hamish McNulty
Acting General Manager



Richard Sheridan
Responsible Accounting Officer

Cumberland Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	118,375
User charges and fees	3b	26,678
Interest and investment revenue	3c	6,000
Other revenues	3d	8,613
Grants and contributions provided for operating purposes	3e,f	40,337
Grants and contributions provided for capital purposes	3e,f	41,466
<i>Other income:</i>		
Net gains from the disposal of assets	5	1,346
Net share of interests in joint ventures and associates using the equity method	19	706
Total income from continuing operations		243,521
Expenses from continuing operations		
Employee benefits and on-costs	4a	83,197
Borrowing costs	4b	823
Materials and contracts	4c	67,420
Depreciation and amortisation	4d	33,324
Other expenses	4e	20,798
Total expenses from continuing operations		205,562
Operating result from continuing operations		37,959
Net operating result for the period		37,959
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	2,249,979
Net result for the period		2,287,938
Net operating result for the period before grants and contributions provided for capital purposes		(3,507)

Cumberland Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	15,704
Investments	6b	67,502
Receivables	7	26,153
Inventories	8	189
Other	8	760
Total current assets		110,308
Non-current assets		
Investments	6b	52,112
Infrastructure, property, plant and equipment	9	2,188,059
Investments accounted for using the equity method	19	4,103
Intangible assets	25	940
Total non-current assets		2,245,214
TOTAL ASSETS		2,355,522
LIABILITIES		
Current liabilities		
Payables	10	37,774
Borrowings	10	1,245
Provisions	10	17,028
Total current liabilities		56,047
Non-current liabilities		
Borrowings	10	9,615
Provisions	10	1,922
Total non-current liabilities		11,537
TOTAL LIABILITIES		67,584
Net assets		2,287,938
EQUITY		
Retained earnings	20	2,287,938
Council equity interest		2,287,938
Total equity		2,287,938

Cumberland Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		130,928
User charges and fees		23,845
Investment and interest revenue received		5,756
Grants and contributions		80,941
Bonds, deposits and retention amounts received		2,374
Other		8,728
Payments:		
Employee benefits and on-costs		(84,961)
Materials and contracts		(63,959)
Borrowing costs		(823)
Other		(20,249)
Net cash provided (or used in) operating activities	11b	82,580
Cash flows from investing activities		
Receipts:		
Sale of infrastructure, property, plant and equipment		2,844
Payments:		
Purchase of investment securities		(381)
Purchase of infrastructure, property, plant and equipment		(78,342)
Net cash provided (or used in) investing activities		(75,880)
Net cash flow provided (used in) financing activities		(1,701)
Net increase/(decrease) in cash and cash equivalents		4,999
Plus: cash transferred on amalgamation of councils	29	10,705
Cash and cash equivalents – end of the year	11a	15,704
Additional Information:		
plus: Investments on hand – end of year	6b	119,614
Total cash, cash equivalents and investments		135,318

Cumberland Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17

\$ '000	Notes	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Total equity
Opening balance		–	–	–	–	–
c. Net result for the year		2,287,938			2,287,938	2,287,938
Equity – balance at end of the reporting period		2,287,938	–	–	2,287,938	2,287,938

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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n/a – not applicable

Cumberland Council

Notes to the Financial Statements

for the period ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to the current financial year presented, unless otherwise stated.

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

Where the former Councils had different accounting policies, an adjustment needs to be made on day 1 of the new Council to align the policies and account for similar transactions / balances on the same basis. Examples of such policy differences are provided in the guidance to note 29.

The Local Government City of Parramatta and Cumberland Proclamation 12 May 2016 under the Local Government Act 1993 transferred the assets and liabilities of the former councils [Auburn City Council, Holroyd City Council and Parramatta City Council] to Cumberland Council as at 13 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Cumberland Council, being 13 May 2016 and ending on 30 June 2017. Future reporting periods will be from 1 July to 30 June of the relevant year.

Assets and liabilities of the former councils have been recognised by Cumberland Council at the previous book value at the date of transfer being 13 May 2016. The net assets received have been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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

Council did not adopt any new or amended accounting standards in this year's financial statements.

(ii) Early adoption of standards

Council did not early adopt any accounting standards.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgments

Council did not exercise any significant accounting estimates and judgments in the preparation of these financial statements.

Critical accounting estimates and assumptions

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

Significant judgments in applying the Council's accounting policies

(i) Impairment of Receivables

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

(b) Revenue recognition

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

Note 1. Summary of significant accounting policies

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

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

(i) Rates, annual charges, grants and contributions

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

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

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

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

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- General purpose operations
- Park Management Committee.

(ii) The Trust Fund

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

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

Note 1. Summary of significant accounting policies

Council is not a member of any county council.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint operations

Council has no interest in any joint operations.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

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

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

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

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

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(f) Cash and cash equivalents

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

Note 1. Summary of significant accounting policies

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

(g) Inventories

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

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

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(ii) Inventory held for distribution

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

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

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

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

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

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

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

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

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(ii) Loans and receivables

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

Note 1. Summary of significant accounting policies

months after the reporting date which that are classified as non-current assets.

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

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council

Note 1. Summary of significant accounting policies

may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

Investment Policy

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

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

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

(j) Fair value estimation – financial instruments

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

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

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

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

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

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

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Notes to the Financial Statements

for the period ended 30 June 2017

Note 1. Summary of significant accounting policies

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Office equipment	5 to 10 years
Office furniture	10 to 20 years
Computer equipment	3 to 5 years
Vehicles	5 to 8 years
Heavy plant/road making equipment	5 to 8 years
Other plant and equipment	5 to 15 years
Other equipment	
Playground equipment	5 to 15 years
Benches, seats etc.	10 to 20 years
Buildings	
Buildings: masonry	50 to 100 years
Buildings: other	20 to 40 years
Stormwater assets	
Drains	80 to 100 years
Culverts	50 to 80 years
Transportation assets	
Sealed roads: surface	20 to 30 years
Sealed roads: structure	50 to 80 years
Unsealed roads	20 to 30 years
Bridge: concrete	100 years
Bridge: other	50 to 80 years
Road pavements	60 to 80 years
Kerb, gutter and footpaths	40 to 80 years
Other infrastructure assets	
Bulk earthworks	Infinite
Swimming pools	50 years

Note 1. Summary of significant accounting policies

(l) Payables

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

(m) Borrowings

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

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any

non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(n) Borrowing costs

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

(o) Provisions

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

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

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

(p) Employee benefits

(i) Short-term obligations

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

The liability for annual leave and accumulating sick leave is recognised in the provision for employee

Note 1. Summary of significant accounting policies

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not

reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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 Mr Richard Boyfield (FIAA) covers the period ended 30/06/17.

However the position is monitored annually and the actuary has estimated that as at 30th June 2017 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 30 June 2017 was \$1,197,513.

The amount of additional contributions included in the total employer contribution advised above is \$560,381.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,086,670 as at 30th June 2017.

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.

Note 1. Summary of significant accounting policies

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.

(q) Land under roads

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

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

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

(r) Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims, the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims; these are detailed in Note 6(c).

(s) Intangible assets

IT development and software

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

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

(t) Crown reserves

Council did not classify any Crown Reserves as assets at the end of the financial reporting period.

(u) Rural fire service assets

Council did not recognise any rural fire service assets at the end of the financial reporting period.

(v) Goods and Services Tax (GST)

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

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

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

(w) New accounting standards and interpretations issued not yet effective

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

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.

Note 1. Summary of significant accounting policies

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

- 1) fair value, and
- 2) 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 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:

- 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

Cumberland Council

Notes to the Financial Statements

for the period ended 30 June 2017

Note 1. Summary of significant accounting policies

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.

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

(x) Rounding of amounts

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

(y) Comparative figures

The entity of Cumberland is new and therefore no comparatives available.

(aa) Disclaimer

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current & non-current)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	18,225	5,045	13,180	11,021	52,114
Administration	9,871	51,307	(41,436)	13,884	141,377
Public order and safety	3,627	3,705	(78)	214	25,138
Health	705	1,363	(658)	96	24,997
Environment	39,931	40,951	(1,020)	1,093	127,547
Community services and education	18,041	22,457	(4,416)	8,714	727,513
Housing and community amenities	30,448	16,931	13,517	53	137,857
Recreation and culture	7,875	34,335	(26,460)	949	139,582
Mining, manufacturing and construction	1,718	16,687	(14,969)	809	52,728
Transport and communication	9,972	11,028	(1,056)	3,365	886,256
Economic affairs	2,098	1,753	345	39	36,310
Total functions and activities	142,511	205,562	(63,051)	40,237	2,351,419
Share of gains/(losses) in associates and joint ventures (using the equity method)	706	–	706		4,103
General purpose income ¹	100,304		100,304	14,229	
Operating result from continuing operations	243,521	205,562	37,959	54,466	2,355,522

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Cumberland Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		53,392
Business		27,794
Total ordinary rates		81,186
Special rates		
Infrastructure – business		889
Infrastructure – residential		1,987
Stormwater management services (S496(a))		1,708
Total special rates		4,584
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		32,605
Total annual charges		32,605
TOTAL RATES AND ANNUAL CHARGES		118,375

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

Former Holroyd City Council area - 2013

Former Auburn City Council area - 2015

Former Parramatta City Council area - 2013

Cumberland Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Waste management services (non-domestic)		296
Total user charges		296
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation		454
Registration fees		74
Section 149 certificates (EPA Act)		274
Section 603 certificates		312
Town planning		4,373
Total fees and charges – statutory/regulatory		5,487
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care		373
Community centres		981
Lease rentals		195
Library and art gallery		63
Parking fees		553
Restoration charges		2,449
Swimming centres		2,277
Recreation and parks		3,089
Community festivals		10
Administration		97
Child care/family day care		7,296
Community services		336
Function centres		714
Housing and community amenities		286
Health		421
Libraries		83
Recreation and culture		4
Transport and communication		1,530
Other		138
Total fees and charges – other		20,895
TOTAL USER CHARGES AND FEES		26,678

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		325
– Interest earned on investments (interest and coupon payment income)		5,030
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)		124
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>6,000</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		325
General Council cash and investments		4,564
Restricted investments/funds – external:		
Development contributions		
– Section 94		1,062
Total interest and investment revenue recognised		<u>6,000</u>
(d) Other revenues		
Rental income – other council properties		1,057
Fines – parking		2,589
Fines – other		514
Legal fees recovery – rates and charges (extra charges)		308
Commissions and agency fees		4
Diesel rebate		60
Insurance claim recoveries		360
Recycling income (non-domestic)		7
Vehicle lease recovery		790
Lifelong learning		126
Community services and education		23
Other		2,775
<u>TOTAL OTHER REVENUE</u>		<u>8,613</u>

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance	13,071	–
Pensioners' rates subsidies – general component	1,158	–
Total general purpose	14,229	–
Specific purpose		
Community care	691	–
Library – per capita	642	–
Library – special projects	–	193
LIRS subsidy	36	–
Recreation and culture	205	242
Traffic route subsidy	288	–
Transport (roads to recovery)	753	1,489
Transport (other roads and bridges funding)	1,119	343
Immunisation	31	–
Child care/family day care	6,187	–
Community services	918	–
Housing and community amenities	822	–
Health services	4	–
Amalgamation Transition Implementation Fund	10,000	–
Stronger Community Capital Grant	1,000	14,000
Other	800	–
Total specific purpose	23,970	16,267
Total grants	38,199	16,267
Grant revenue is attributable to:		
– Commonwealth funding	21,906	14,568
– State funding	16,293	1,699
	38,199	16,267

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94 – contributions towards amenities/services		–	18,456
Other developer contributions (sepp 59 agreements)		–	140
S 94 – LGA administration		–	5,324
S 94a – employment generation development		–	991
Total developer contributions	17	–	24,911
Other contributions:			
Community services		56	–
Dedications (other than by S94)		–	227
Recreation and culture		30	–
Roads and bridges		–	61
RMS contributions (regional roads, block grant)		585	–
Community enhancement fund		918	–
Volunteers		3	–
Fuel tax rebate		48	–
Sponsorship		2	–
Other		496	–
Total other contributions		2,138	288
Total contributions		2,138	25,199
TOTAL GRANTS AND CONTRIBUTIONS		40,337	41,466

Cumberland Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Actual 13/5/16 to 30/6/17
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	37,971
Add: grants and contributions recognised in the current period but not yet spent:	58,931
Less: grants and contributions recognised in a previous reporting period now spent:	(40,981)
Net increase (decrease) in restricted assets during the period	17,950
Unexpended and held as restricted assets	<u><u>55,921</u></u>
Comprising:	
– Specific purpose unexpended grants	4,312
– Developer contributions	37,791
– Stronger Community Fund	13,818
	<u><u>55,921</u></u>

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		60,422
Employee termination costs		2,721
Travel expenses		862
Employee leave entitlements (ELE)		8,664
ELE on-costs		4
Workers' compensation insurance		1,971
Fringe benefit tax (FBT)		561
Training costs (other than salaries and wages)		978
Protective clothing		60
Total employee costs		83,197
Less: capitalised costs		-
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>83,197</u>
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		823
Total interest bearing liability costs		823
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>823</u>

Cumberland Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		22,234
Contractor and consultancy costs		7,385
– waste disposal tipping fees		19,759
– facility and infrastructure management		9,503
– agency staff		4,437
– other		1,401
Auditors remuneration ⁽¹⁾		161
Infringement notice contract costs (SEINS)		155
Legal expenses:		
– Legal expenses: planning and development		1,002
– Legal expenses: debt recovery		280
– Legal expenses: other		928
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		175
Total materials and contracts		67,420
Less: capitalised costs		–
TOTAL MATERIALS AND CONTRACTS		67,420
1. Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Auditor-General		148
Total Auditor-General remuneration		148
b. During the year, the following fees were incurred for services provided by the other Council Auditors:		
(i) Audit and other assurance services		
– Audit of regulatory returns		13
Total remuneration of other Council Auditors		13
Total Auditor remuneration		161
2. Operating lease payments are attributable to:		
Other		175
		175

Cumberland Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		3,221
Office equipment		597
Furniture and fittings		280
Land improvements (depreciable)		382
Infrastructure:		
– Buildings – non-specialised		3,337
– Buildings – specialised		2,442
– Roads		12,804
– Bridges		201
– Footpaths		753
– Stormwater drainage		4,747
– Swimming pools		361
– Other open space/recreational assets		2,208
Other assets		
– Library books		501
– Other		19
Intangible assets	25	1,472
Total gross depreciation and amortisation costs		33,324
Total depreciation and amortisation costs		33,324

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		156
Bad and doubtful debts		9
Bank charges		278
Contributions/levies to other levels of government		
– Department of planning levy		285
– NSW fire brigade levy		2,134
– Other contributions/levies		122
Donations, contributions and assistance to other organisations (Section 356)		108
– Donations, contributions and assistance (Stronger Communities Fund)		1,001
Election expenses		850
Electricity and heating		1,595
Fair value decrements – I,PP&E	9(a)	331
Insurance		2,194
Postage		231
Printing and stationery		652
Street lighting		2,779
Subscriptions and publications		382
Telephone and communications		1,151
Valuation fees		280
Education programs		108
Community events		1,049
Information technology fees		2,742
Water rates and charges		642
Agency fees		81
Furniture and fittings maintenance and repairs		136
Gas charges		141
Publicity, promotions, events		851
Other		510
Total other expenses		20,798
Less: capitalised costs		–
TOTAL OTHER EXPENSES		20,798

Cumberland Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Property (excl. investment property)		
Proceeds from disposal – property		1,680
Less: carrying amount of property assets sold/written off		–
Net gain/(loss) on disposal		1,680
Plant and equipment		
Proceeds from disposal – plant and equipment		1,164
Less: carrying amount of plant and equipment assets sold/written off		(1,096)
Net gain/(loss) on disposal		68
Infrastructure		
Proceeds from disposal – infrastructure		–
Less: carrying amount of infrastructure assets sold/written off		(402)
Net gain/(loss) on disposal		(402)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,346

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		3,012	–
Cash-equivalent assets ¹			
– Deposits at call		540	–
– Managed funds		12,152	–
Total cash and cash equivalents		15,704	–
Investments (Note 6b)			
– Long term deposits		63,990	33,000
– NCD's, FRN's (with maturities > 3 months)		3,512	19,112
Total investments		67,502	52,112
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		83,206	52,112

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

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

Cash and cash equivalents

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

15,704 **–**

Investments

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

– 'Held for trading'

6(b-i) 22,624

b. 'Held to maturity'

6(b-ii) 44,878 52,112

Investments

67,502 **52,112**

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
Total cash, cash equivalents and investments	83,206	52,112
attributable to:		
External restrictions (refer below)	6,763	52,112
Internal restrictions (refer below)	22,475	–
Unrestricted	53,968	–
	83,206	52,112

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	33,327	26,022	(21,558)	37,791
Specific purpose unexpended grants	(F)	4,643	–	(616)	4,312
Domestic waste management	(G)	9,208	33,955	(32,351)	10,812
Stormwater management	(G)	2,610	1,046		3,656
Other special levies	(G)	11			11
Holroyd gardens – future works		547			547
Traffic management projects		553			553
Domestic waste management ELE		1,056	137		1,193
External restrictions – other		51,955	61,160	(54,525)	58,875
Total external restrictions		51,955	61,160	(54,525)	58,875

Cumberland Council

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

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	5,242			5,242
Carry over works	9,792	3,518	(10,666)	2,644
Stronger Community Fund	–	13,818	–	13,818
Parks and gardens amenities	3,781		(3,010)	771
Total internal restrictions	18,815	17,336	(13,676)	22,475
TOTAL RESTRICTIONS	70,770	78,496	(68,201)	81,350

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		3,606	–
Interest and extra charges		157	–
User charges and fees		775	–
Contributions to works		48	–
Accrued revenues			
– Interest on investments		1,871	–
– Other income accruals		1,644	–
Amounts due from other councils		14,900	–
Government grants and subsidies		1,034	–
Net GST receivable		1,675	–
Restoration charges		347	–
Workers' compensation insurance		90	–
Lease/rental of properties		82	–
Other debtors		65	–
Total		26,294	–
Less: provision for impairment			
User charges and fees		(66)	–
Other debtors		(75)	–
Total provision for impairment – receivables		(141)	–
<u>TOTAL NET RECEIVABLES</u>		<u>26,153</u>	<u>–</u>

There are no restrictions applicable to the above assets.

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%
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Cumberland Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Stores and materials		189	–
<u>TOTAL INVENTORIES</u>		<u>189</u>	<u>–</u>
Prepayments		760	–
<u>TOTAL OTHER ASSETS</u>		<u>760</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Cumberland Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to P&L	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	20,909	–	20,909	34,892	3,284			(38,349)	(1,329)		19,407	–	19,407
Plant and equipment	34,837	20,743	14,094	1,780	285	(1,012)	(3,221)	643	290		36,133	23,275	12,858
Office equipment	12,853	10,595	2,258		28		(597)	14			12,895	11,192	1,703
Furniture and fittings	5,247	3,255	1,992	323	24		(280)	30			5,622	3,533	2,089
Land:													
– Operational land	294,183	–	294,183		24,617			7			318,807	–	318,807
– Community land	360,218	–	360,218		48			621			360,887	–	360,887
– Land under roads (post 30/6/08)	436	–	436							(331)	105	–	105
Land improvements – non-depreciable	–	–	–	365							365	–	365
Land improvements – depreciable	5,436	790	4,646	12			(382)				5,176	900	4,276
Infrastructure:													
– Buildings – non-specialised	153,158	48,922	104,236				(3,337)	371			149,066	47,797	101,269
– Buildings – specialised	79,096	8,158	70,939	2,158	37		(2,442)				81,291	10,600	70,691
– Roads	785,869	178,201	607,668	7,743	302	(84)	(12,804)	1,025	25		793,678	189,803	603,875
– Bridges	53,974	12,078	41,896	56		(402)	(201)	10,337			63,568	11,881	51,687
– Footpaths	150,722	50,538	100,184	1,295	192		(753)	53	2		153,224	52,250	100,974
– Stormwater drainage	578,332	148,558	429,774	113	34		(4,747)	4			578,519	153,341	425,178
– Swimming pools	12,649	3,727	8,922				(361)	11,720			22,860	2,579	20,281
– Other open space/recreational assets	136,568	59,413	77,155	1,474			(2,208)	13,059			151,577	62,098	89,479
Other assets:													
– Library books	15,004	12,047	2,957		461		(501)	465			15,931	12,549	3,382
– Other	819	79	740	26			(19)				845	98	747
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,700,310	557,104	2,143,206	50,236	29,312	(1,498)	(31,852)	–	(1,012)	(331)	2,769,956	581,896	2,188,059

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.

Cumberland Council

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

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

\$ '000

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management			
Plant and equipment	12,771	8,028	4,743
Total DWM	12,771	8,028	4,743
TOTAL RESTRICTED I,PP&E	12,771	8,028	4,743

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		16,441	–
Accrued expenses:			
– Other expenditure accruals		139	–
Security bonds, deposits and retentions		18,949	–
Other		2,245	–
Total payables		37,774	–
Borrowings			
Loans – secured ¹		1,245	9,615
Total borrowings		1,245	9,615
Provisions			
Employee benefits:			
Annual leave		6,135	–
Sick leave		639	–
Long service leave		9,635	1,922
Other leave		91	–
ELE on-costs		528	–
Sub-total – aggregate employee benefits		17,028	1,922
Total provisions		17,028	1,922
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>56,047</u>	<u>11,537</u>
(i) Liabilities relating to restricted assets			
Externally restricted assets			
Domestic waste management		588	605
Liabilities relating to externally restricted assets		588	605
Total liabilities relating to restricted assets		588	605
Total liabilities relating to unrestricted assets		55,459	10,932
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		56,047	11,537

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

(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	9,584
Payables – security bonds, deposits and retentions	16,639
	26,223

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	15,704
Balance as per the Statement of Cash Flows		15,704
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		37,959
Adjust for non-cash items:		
Depreciation and amortisation		33,324
Net losses/(gains) on disposal of assets		(1,346)
Non-cash capital grants and contributions		(227)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'		(124)
Share of net (profits) or losses of associates/joint ventures		(706)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		12,870
Increase/(decrease) in provision for doubtful debts		(84)
Decrease/(increase) in inventories		345
Decrease/(increase) in other assets		(197)
Increase/(decrease) in payables		3,116
Increase/(decrease) in other accrued expenses payable		(2,154)
Increase/(decrease) in other liabilities		470
Increase/(decrease) in employee leave entitlements		(997)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		82,580

Cumberland Council

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

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

\$ '000	Notes	Actual 2017
(c) Non-cash investing and financing activities		
Other dedications		227
Total non-cash investing and financing activities		227
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾		1,000
Credit cards/purchase cards		330
Total financing arrangements		1,330

(ii) Secured loan liabilities

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

Cumberland Council

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

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(a) Capital commitments (exclusive of GST)		
Nil		
(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		423
Later than one year and not later than 5 years		466
Total non-cancellable operating lease commitments		889

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(5,352)</u>	-2.68%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	199,879		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>159,542</u>	66.11%	>60.00%
Total continuing operating revenue ⁽¹⁾	241,345		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	<u>103,545</u>	3.54x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	29,236		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>28,795</u>	11.41x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,524		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	<u>3,763</u>	2.78%	< 5% Metro
Rates, annual and extra charges collectible	135,317		<10% Rural
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	<u>112,694</u>	7.88 mths	> 3 mths
Payments from cash flow of operating and financing activities	14,308		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying Amount 2017	Fair Value 2017
Financial assets		
Cash and cash equivalents	15,704	15,704
Investments		
– 'Held for trading'	22,624	22,624
– 'Held to maturity'	96,990	96,990
Receivables	26,153	26,153
Total financial assets	161,471	161,471
Financial liabilities		
Payables	37,774	36,132
Loans/advances	10,860	10,860
Total financial liabilities	48,634	46,992

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.

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its 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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

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

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	2,262	2,262	(2,262)	(2,262)
Possible impact of a 1% movement in interest rates	1,127	1,127	(1,127)	(1,127)

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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:

	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	100%	86%
Overdue		14%
	100%	100%
(ii) Ageing of receivables – value		
Rates and annual charges	Rates and annual charges	Other receivables
Current	3,606	5,272
< 1 year overdue		67
1 – 2 years overdue		36
2 – 5 years overdue		651
> 5 years overdue		118
	3,606	6,144
(iii) Movement in provision for impairment of receivables		2017
Balance at the beginning of the year (former Councils)		225
– amounts already provided for and written off this year		(84)
Balance at the end of the year		141

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	18,949	18,825						37,774	37,774
Loans and advances		1,925	1,857	1,653	1,417	1,368	6,747	14,967	10,860
Total financial liabilities	18,949	20,750	1,857	1,653	1,417	1,368	6,747	52,741	48,634

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	37,774	0.00%
Loans and advances – fixed interest rate	10,025	5.88%
	<u>48,634</u>	

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council.

All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	629	–	–	18	–	–	647	–
Parking	–	94	–	(119)	–	25	–	4,317
Community facilities	742	1,065	–	18	(190)	(571)	1,064	–
Open space – local	1,173	20	–	15	–	–	1,208	–
Open space – district	1,186	22	–	16	–	–	1,224	–
Open space – regional	449	19	–	6	–	–	474	–
Studies	53	2	–	1	–	–	56	–
Contribution plan no. 2	20,247	18,329	–	757	(19,938)	–	19,395	–
Merrylands town centre	2,613	–	–	34	–	–	2,647	–
Accessibility and traffic	–	769	–	(114)	–	(655)	–	4,116
Public domain	–	3,350	–	325	(789)	448	3,334	(8,433)
Woodville Ward	–	49	–	–	–	–	49	–
Other	681	769	–	22	(640)	–	832	–
S94 contributions – under a plan	27,773	24,488	–	979	(21,557)	(753)	30,930	–
S94A levies – under a plan	1,838	283	–	82	–	753	2,956	–
Total S94 revenue under plans	29,611	24,771	–	1,061	(21,557)	–	33,886	–
S94 not under plans	52	–	–	1	–	–	53	–
SEPP 59 agreements	3,664	140	–	49	(1)	–	3,852	–
Total contributions	33,327	24,911	–	1,111	(21,558)	–	37,791	–

Cumberland Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 (former Holroyd)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	742	14		10			766	
Open space – local	1,173	20		15			1,208	
Open space – district	1,186	22		16			1,224	
Open space – regional	449	19		6			474	
Studies	53	2		1			56	
Other	37						37	
Total	3,640	77	–	48	–	–	3,765	–

CONTRIBUTION PLAN No. 2 (former Holroyd)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Contribution plan no. 2	20,247	18,329		757	(19,938)		19,395	
Total	20,247	18,329	–	757	(19,938)	–	19,395	–

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

MERRYLANDS TOWN CENTRE (former Holroyd)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Merrylands town centre	2,613			34			2,647	
Total	2,613	-	-	34	-	-	2,647	-

2007 Section 94 Contribution Plan (former Auburn)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	629			18			647	
Parking	-	94		(119)		25	-	4,317
Community facilities	-	1,051		8	(190)	(571)	298	
Accessibility and traffic	-	769		(114)		(655)	-	4,116
Public domain	-	3,350		325	(789)	448	3,334	(8,433)
Other	644	769		22	(640)		795	
Total	1,273	6,033	-	140	(1,619)	(753)	5,074	-

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Woodville Ward

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Woodville Ward	–	49					49	
Total	–	49	–	–	–	–	49	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN (former Auburn)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	1,838	283		82		753	2,956	
Total	1,838	283	–	82	–	753	2,956	–

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	52			1			53	
Total	52	-	-	1	-	-	53	-

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

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).

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) 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 Actual 13/5/16 to 30/6/17	Council's share of net assets Actual 2017
Joint ventures	706	4,103
Total	706	4,103

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) 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	2017
United Independent Pools	Joint Venture	Equity Accounting	568
Metro Pool	Joint Venture	Equity Accounting	3,534
Total carrying amounts – material joint ventures and associates			4,102

(b) Details

Name of entity	Principal activity	Place of business
United Independent Pools	Risk management and insurance pooling to councils	Penrith, NSW
Metro Pool	Public liability and professional indemnity to councils	Penrith, NSW

(c) Relevant interests and fair values

Name of entity	Quoted fair value	Interest in outputs	Interest in ownership	Proportion of voting power
	2017	2017	2017	2017
United Independent Pools	n/a	9%	9%	6%
Metro Pool	n/a	30%	30%	14%

(d) Summarised financial information for joint ventures and associates

	United Independent Pools	Metro Pool
	2017	2017
Statement of financial position		
Current assets		
Cash and cash equivalents	505	27
Other current assets	6,239	5,738
Non-current assets	5,889	18,168
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	2,890	1,443
Other current liabilities	423	150
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	2,830	10,730
Net assets	6,490	11,610
Reconciliation of the carrying amount		
Opening net assets (former Councils)	7,286	9,421
Profit/(loss) for the period	(796)	2,189
Closing net assets	6,490	11,610
Council's share of net assets (%)	8.8%	30.4%
Council's share of net assets (\$)	568	3,534

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

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

	United Independent Pools	Metro Pool
	13/5/16 to 30/6/17	13/5/16 to 30/6/17
Statement of comprehensive income		
Income	8,302	2,781
Interest income	584	1,088
Other expenses	(9,682)	(1,681)
Profit/(loss) from continuing operations	(796)	2,188
Total comprehensive income	(796)	2,188
Share of income – Council (%)	8.2%	35.2%
Profit/(loss) – Council (\$)	(65)	771
Total comprehensive income – Council (\$)	(65)	771

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
d. Net result for the year		2,287,938
Balance at end of the reporting period		<u>2,287,938</u>

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

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

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

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

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

Accordingly, the 'authorised for issue' date is 20/12/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017. These include a receivables amount of \$14.9m booked as a result of arbitration with The City of Parramatta Council

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

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

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017
Intangible assets represent identifiable non-monetary assets without physical substance.	
Intangible assets are as follows:	
Opening values (former Councils):	
Gross book value	5,346
Accumulated amortisation	(2,967)
Accumulated impairment	–
Net book value – opening balance (former Councils)	2,379
Movements for the year	
– Purchases	282
– Amortisation charges	(1,471)
– Impairment charges	(250)
Closing values:	
Gross book value (30/6)	5,379
Accumulated amortisation (30/6)	(4,439)
Accumulated impairment (30/6)	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>940</u>
¹ The net book value of intangible assets represent:	
– Software	940
	<u>940</u>

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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
- Financial assets and liabilities

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:

13/5/16 to 30/6/17	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/17			22,624	22,624
Total financial assets		–	–	22,624	22,624
Infrastructure, property, plant and equipment					
Operational land	30/06/17		318,807		318,807
Community land	30/06/17			360,887	360,887
Land under roads (post 30/6/08)	30/06/17			105	105
Land improvements – non-depreciable	30/06/17			365	365
Land improvements – depreciable	30/06/17			4,276	4,276
Buildings – specialised	30/06/17			101,269	101,269
Buildings – non-specialised	30/06/17			70,691	70,691
Roads	30/06/17			603,875	603,875
Bridges	30/06/17			51,687	51,687
Footpaths	30/06/17			100,974	100,974
Stormwater drainage	30/06/17			425,178	425,178
Swimming pools	30/06/17			20,281	20,281
Total infrastructure, property, plant and equipment		–	318,807	1,739,588	2,058,395

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (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:

Financial assets

At fair value through profit and loss are represented by Floating Rate Notes, Covered Bonds and Term Deposits. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations of Floating Rate Notes are sourced from UBS based on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices in the secondary market. This price represents a general market value for the asset. There has been no change to the valuation techniques during the reporting period. Australian Stock Exchange (ASX) retail listed securities are listed on the ASX. Valuations are sourced directly on the ASX using the closing price at the end of the reporting period

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

Operational Land

Operational land has valued this year by using the ABS Residential Property Price Index

Community Land

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General in 2016.

Land Under Roads

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. Values were determined by valuation of road segments at the average unit value of properties adjoining the relevant road segment and then discounted by 90% in accordance with the Code

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

Buildings - Non specialised and Specialised

Council's buildings were valued based on the condition survey approach described in IPWEA's Practice Note 3 for Buildings and were used to determine the expected life ranges and criticality factors to produce the Depreciated Replacement Cost (DRC) Values and associated depreciation by component. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required.

Roads and Bridges

The roads asset class includes roads, defined as the trafficable portion of a road, between but not including the kerb and gutter. Other road assets including Bridges, Carparks, Kerb and Gutter, Traffic facilities and Footpaths are also included.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, and various types of water quality devices. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement

Swimming Pools

While some elements of gross replacement values could be supported from market evidence other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Open Space Assets

Assets within this class comprise Tennis Courts, Synthetic Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. All assets in this class were valued in-house by experienced engineering & asset management staff. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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.

	Community land	Land under roads (post 30/6/08)	Land improv. - non depreciable	Land improv. - depreciable	Total
Balance on transfer from former Councils	360,218	436	–	4,646	365,300
Purchases (GBV)	48	–	365	12	424
Depreciation and impairment	–	–	–	(382)	(382)
WIP Transfers	621	–	–	–	621
Adjustments and Transfers	–	–	–	–	–
Closing balance – 30/6/17	360,887	436	365	4,276	365,963

	Buildings - non specialised	Buildings - specialised	Roads	Bridges	Total
Balance on transfer from former Councils	104,236	70,939	607,668	41,896	824,738
Purchases (GBV)	–	2,195	8,045	56	10,296
Disposals (WDV)	–	–	(84)	(402)	(486)
Depreciation and impairment	(3,337)	(2,442)	(12,804)	(201)	(18,784)
WIP Transfers	371	–	1,025	10,337	11,733
Adjustments and Transfers	–	–	25	–	25
Closing balance – 30/6/17	101,270	70,691	603,875	51,687	827,522

	Footpaths	Stormwater drainage	Pools and open space recreational	Total
Balance on transfer from former Councils	100,184	429,774	86,077	616,035
Purchases (GBV)	1,487	147	1,474	3,108
Depreciation and impairment	(753)	(4,747)	(2,569)	(8,068)
WIP Transfers	53	4	24,779	24,836
Adjustments and Transfers	2	–	–	2
Closing balance – 30/6/17	100,974	425,178	109,761	635,914

Cumberland Council

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

Note 29. Local Government amalgamation

\$ '000	Notes	
<p>The Local Government (City of Parramatta and Cumberland) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of parts of the former Holroyd City Council, Auburn City Council, and Parramatta City Council to form Cumberland Council as at 12 May 2016</p>		
		Actual 13/5/16 to 30/6/17
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	a	4,225,571
Accounting policy adjustments	b	<u>(1,975,592)</u>
		<u>2,249,979</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Holroyd City Council
- Auburn City Council
- Parramatta City Council

have been recognised by the Council at fair value.

Council has as a result of a comprehensive revaluation recognised former councils' assets at their fair value as at the date of transfer, being 13/05/2016.

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

Cumberland Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

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

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

	Former Holroyd Council	Former Auburn Council	Former Parramatta City Council	Former government amalgamation
ASSETS				
Current assets				
Cash and cash equivalents	16,433	4,828	(10,556)	10,705
Investments	40,219	43,900		84,119
Receivables	13,641	10,238	14,900	38,779
Inventories	338	196		534
Other		563		563
Total current assets	70,631	59,725	4,344	134,700
Non-current assets				
Investments	21,990	13,000		34,990
Receivables	160			160
Infrastructure, property, plant and equipment	920,008	3,338,432	(139,644)	4,118,796
Investments accounted for using the equity method	1,856	1,540		3,396
Investment property				–
Intangible assets		2,379		2,379
Total non-current assets	944,014	3,355,351	(139,644)	4,159,721
TOTAL ASSETS	1,014,645	3,415,076	(135,300)	4,294,421
LIABILITIES				
Current liabilities				
Payables (excluding bank overdraft)	22,709	13,633		36,342
Borrowings		1,558		1,558
Provisions	11,358	6,502		17,860
Total current liabilities	34,067	21,693	–	55,760
Non-current liabilities				
Borrowings		11,003		11,003
Provisions	1,711	376		2,087
Total non-current liabilities	1,711	11,379	–	13,090
TOTAL LIABILITIES	35,778	33,072	–	68,850
Net assets transferred	978,867	3,382,004	(135,300)	4,225,571

Cumberland Council

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

Note 29. Local Government amalgamation (continued)

\$ '000

b. Accounting policy adjustments

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

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

	Actual 2017
Adjustments made to recognise net assets at fair value	
Write-off of assets to align accounting policies	(2,184,865)
Changes in asset values due to aligning valuation methodology	209,273
Total adjustments	<u>(1,975,592)</u>

(ii) Rates and Non-Reciprocal Grants income

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

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

Cumberland Council

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

Note 31. Council information and contact details

Principal place of business:

16 Memorial Ave
Merrylands NSW 2160

Contact details

Mailing address:

PO Box 42
Merrylands NSW 2160

Opening hours:

Monday to Friday
Merrylands Branch - 8am to 4.30pm
Auburn Branch - 8.30am to 4pm

Telephone: 02 8757 9000

Facsimile: 02 9840 9734

Internet: www.cumberland.nsw.gov.au

Email: council@cumberland.nsw.gov.au

Officers

GENERAL MANAGER

Hamish McNulty

RESPONSIBLE ACCOUNTING OFFICER

Richard Sheridan

AUDITORS

The Audit Office of New South Wales
Level 15, 1 Margaret Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001

Other information

ABN: 22 798 563 329

Elected members

MAYOR

Clr Greg Cummings

COUNCILLORS

Clr Eddy Sarkis(Deputy Mayor)

Clr George Campbell

Clr Glenn Elmore

Clr Joseph Rahme

Clr Kun Huang

Clr Lisa Lake

Clr Michael Zaiter

Clr Ned Attie

Clr Ola Hamed

Clr Paul Garrard

Clr Ross Grove

Clr Steve Christou

Clr Suman Saha

Clr Tom Zreika



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

To the Councillors of the Cumberland Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Weini Liao
Director, Financial Audit Services

21 December 2017
SYDNEY

Mr Hamish McNuity
Acting General Manager
Cumberland Council
16 Memorial Ave
Merrylands NSW 2160

Contact: Weini Liao
Phone no: 9275 7432
Our ref: D1705640/1719

21 December 2017

Dear Mr McNuity

**Report on the Conduct of the Audit
For the period 13 May 2016 to 30 June 2017
Cumberland Council**

I have audited the general purpose financial statements of the Cumberland Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

Council Amalgamation

The Council was formed on 13 May 2016 by the Local Government Minister's proclamation. The first financial reporting period for Cumberland Council is 13 May 2016 to 30 June 2017. Therefore, comparative analysis could not be performed for this report.

INCOME STATEMENT

Operating result

	2017
	\$m
Rates and annual charges revenue	118.4
Grants and contributions revenue	81.8
Operating result for the period	38.0
Net operating result before capital amounts	(3.5)
Gain on local government amalgamation	2,250

The operating result from continuing activities of \$38 million was mainly driven by:

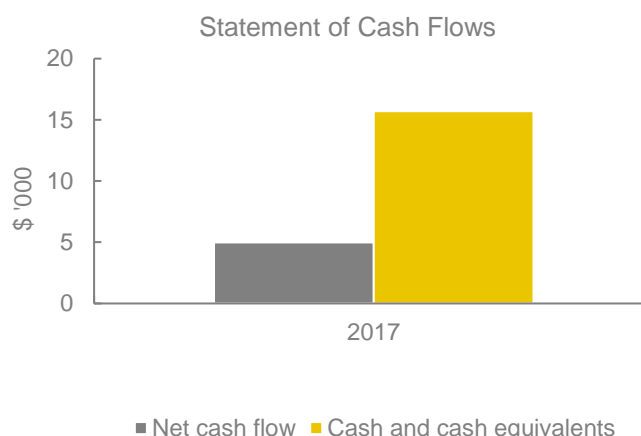
- \$118.4 million rates and annual charges revenue recognised during the period. Rates and annual charges consist of the rates and charges for the period 1 July 2016 to 30 June 2017. The rates for the period 13 May to 30 June 2016 were accounted for by the former Councils as required by the Australian Accounting Standards.
- \$81.8 million in grants and contributions revenue recognised during the period. The Council received the New Council Implementation Fund operating grant of \$10 million and Stronger Community Capital Grant of \$15 million. Grants and contributions included receipt of part of the Federal Financial Assistance Grant relating to 2017-18.
- The net operating result for the period was a surplus of \$38 million. Before capital grants and contributions, the result was a deficit of \$3.5 million.
- The gain on local government amalgamation of \$2.25 billion included the assets and liabilities transferred from former Auburn and Holroyd councils adjusted by the impact of the boundary changes with Parramatta City Council.

STATEMENT OF CASH FLOWS

Council's cash and cash equivalent balance at 30 June 2017 was \$15.7 million, comprising the balance transferred on amalgamation of \$10.7 million plus \$5.0 million net cash flow for the period.

The net cash flow was mainly impacted by:

- net operating cash flow of \$82.6 million, and offset by
- purchase of infrastructure, property, plant and equipment of \$78.3 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$m	
External restrictions	58.9	<ul style="list-style-type: none"> External restrictions mainly relates to developer contributions, Specific purpose grants, Domestic waste funds and Stormwater management. Approximately 89 per cent or \$54.0 million of total external restricted cash and investments was classified as non-current. \$37.8 million of total external restricted cash and investments was in relation to developer contributions Funds subject to internal restrictions primarily relate to employee leave, Stronger Community Fund and carry over works. Council's unrestricted funding at 30 June 2017 was \$54.0 million.
Internal restrictions	22.5	
Unrestricted	54.0	
Cash and investments	135.3	

Debt

The Council has debt of \$10.9 million as at 30 June 2017. The loans were secured over the general rating income of the Council.

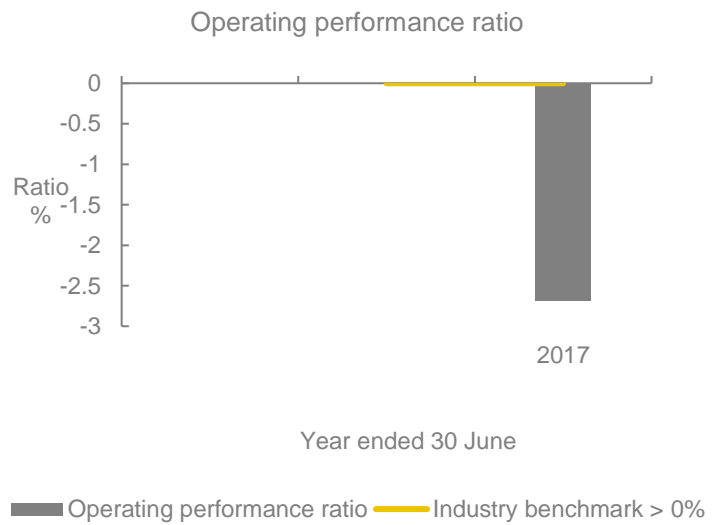
PERFORMANCE RATIOS

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

Operating performance ratio

Council did not meet the OLG benchmark of breakeven. Council's operating performance ratio of negative 2.7 per cent reflect the deficit in operating revenues over operating expenses as reflected in the net operating result before capital amounts.

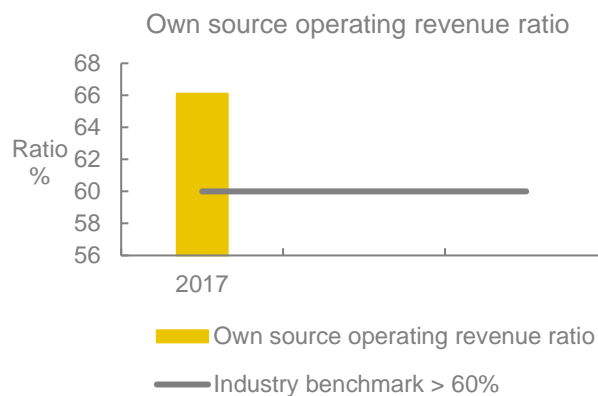
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

The Council exceeded the own source benchmark of 60 per cent by 6.1 per cent. This reflects a moderate level of reliance on externally sourced grant revenue.

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

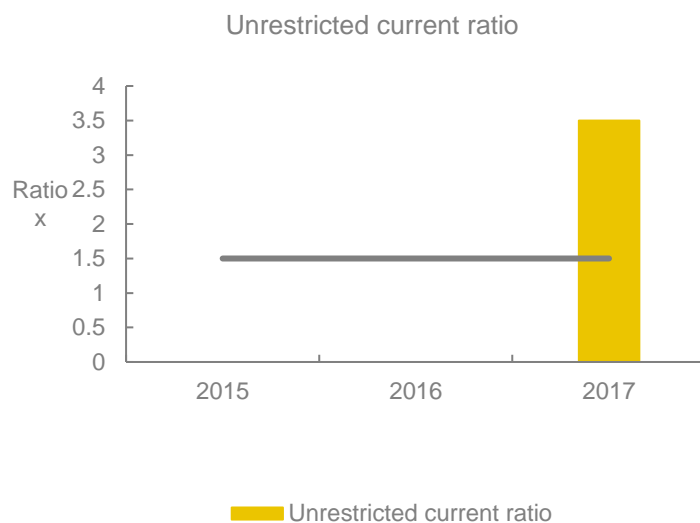


Unrestricted current ratio

The ratio indicates that the Council has \$3.5 of unrestricted current assets available to service every dollar of its unrestricted current liabilities. The ratio exceeded the OLG benchmark by double.

The high level of unrestricted cash and investments provides Council with an operating buffer for use in operations.

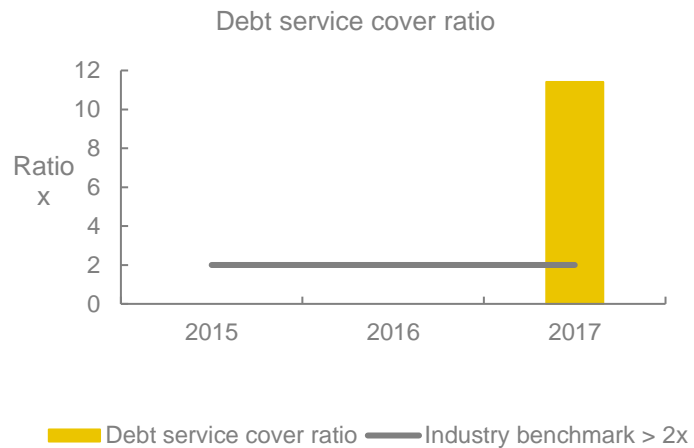
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council's debt service cover ratio of 11.4 times reflects a moderate level of borrowings, and the positive operating result before depreciation and interest compared to borrowing repayments and interest. The ratio exceeded the OLG benchmark.

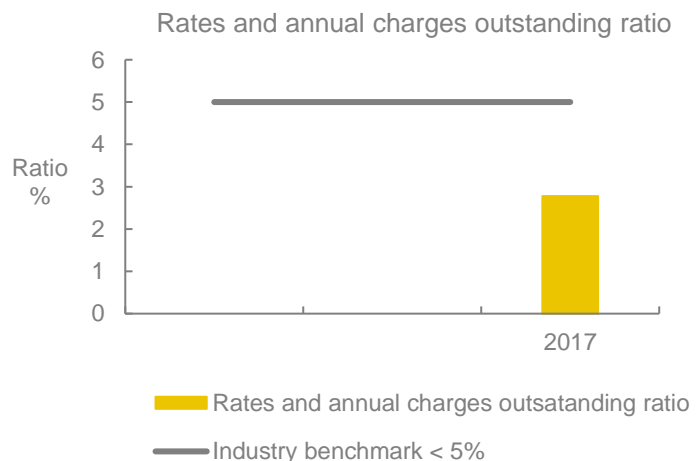
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio of 2.8 per cent was below the industry benchmark of less than 5 per cent. It indicates the Council's rate recovery measures are effective in collecting and reducing outstanding debts.

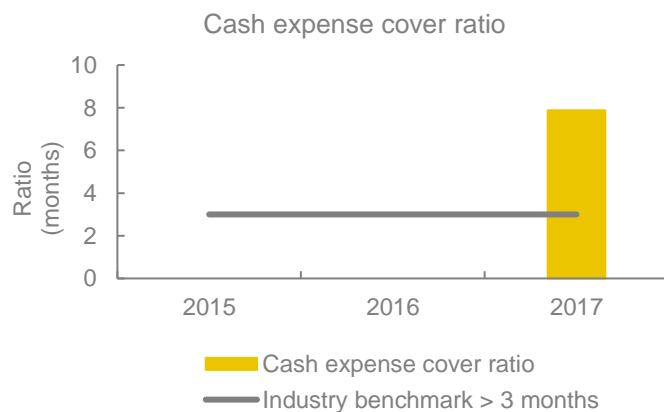
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council's cash expense cover ratio of 7.9 months exceeded the benchmark of 3 months due to the significant cash reserves and investment balances at year end.

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



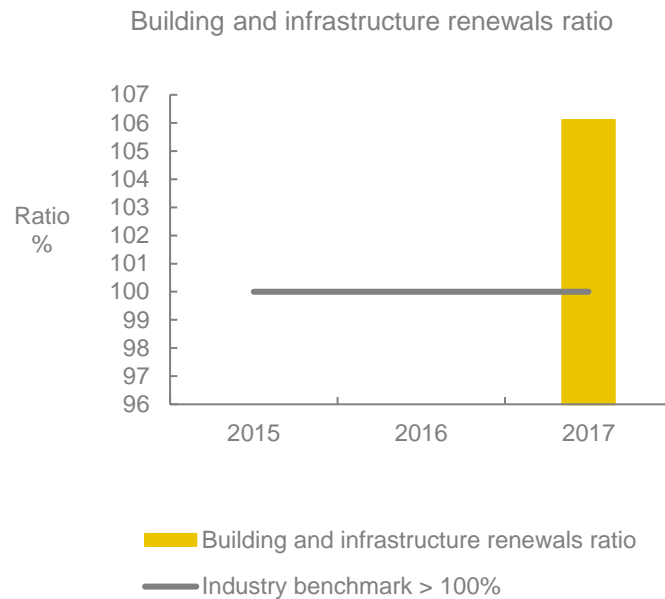
Building and infrastructure renewals ratio

The Council's building and infrastructure renewal ratios of 106.1 per cent met the OLG benchmark of greater than 100 per cent.

This reflected capital investment in infrastructure asset renewals at a higher level than depreciation for the period.

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

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



OTHER MATTERS

Legislative compliance

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

The Council's:

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

Weini Liao
Director, Financial Audit Services

21 December 2017
SYDNEY

cc: Stephen Horne, Chair of the Audit and Risk Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Cumberland Council

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

Cumberland Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
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3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	

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).
-

Cumberland Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

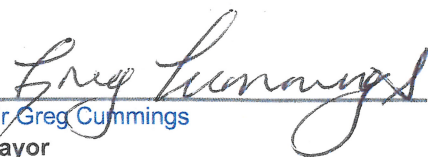
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

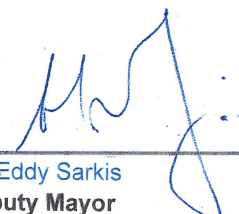
To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.


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

Signed in accordance with a resolution of Council made on 20 December 2017.


Clr Greg Cummings
Mayor


Clr Eddy Sarkis
Deputy Mayor


Hamish McNulty
Acting General Manager


Richard Sheridan
Responsible Accounting Officer

Cumberland Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Golf Course Category 2	Aged Care Units Category 2
\$ '000	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Income from continuing operations		
User charges	947	373
Other income	248	–
Total income from continuing operations	1,195	373
Expenses from continuing operations		
Employee benefits and on-costs	682	10
Materials and contracts	401	156
Depreciation, amortisation and impairment	75	350
Calculated taxation equivalents	175	220
Other expenses	101	18
Total expenses from continuing operations	1,434	754
Surplus (deficit) from continuing operations before capital amounts	(239)	(381)
SURPLUS (DEFICIT) AFTER TAX	(239)	(381)
Plus Assets and liabilities transferred from former councils	14,854	10,698
Plus/less: prior period adjustments	2,670	(166)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	175	220
Closing retained profits	17,460	10,371
Return on capital %	-1.4%	-3.7%
Subsidy from Council	655	628

Cumberland Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Function Centres	Swim Centres
	Category 2	Category 1
\$ '000	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Income from continuing operations		
User charges	1,321	2,350
Other income	5	26
Total income from continuing operations	1,326	2,376
Expenses from continuing operations		
Employee benefits and on-costs	805	1,182
Materials and contracts	397	1,373
Depreciation, amortisation and impairment	145	555
Calculated taxation equivalents	160	163
Other expenses	156	2,317
Total expenses from continuing operations	1,663	5,590
Surplus (deficit) from continuing operations before capital amounts	(337)	(3,214)
SURPLUS (DEFICIT) AFTER TAX	(337)	(3,214)
Plus Assets and liabilities transferred from former councils	227	(7,713)
Plus/less: prior period adjustments	2,999	24,423
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	160	163
Closing retained profits	3,049	13,659
Return on capital %	-10.3%	-23.0%
Subsidy from Council	415	3,547

Cumberland Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

Long Day Care

	Category 1
\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
User charges	4,474
Grants and contributions provided for non-capital purposes	4,140
Other income	138
Total income from continuing operations	8,752
Expenses from continuing operations	
Employee benefits and on-costs	7,473
Materials and contracts	319
Depreciation, amortisation and impairment	215
Calculated taxation equivalents	517
Other expenses	730
Total expenses from continuing operations	9,254
Surplus (deficit) from continuing operations before capital amounts	(502)
SURPLUS (DEFICIT) AFTER TAX	(502)
Plus Assets and liabilities transferred from former councils	2,390
Plus/less: prior period adjustments	9,844
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	517
Closing retained profits	12,249
Return on capital %	-3.7%
Subsidy from Council	822

Cumberland Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2017

	Golf Course Category 2	Aged Care Units Category 2
\$ '000	Actual 2017	Actual 2017
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	17,460	10,371
Total non-current assets	17,460	10,371
TOTAL ASSETS	17,460	10,371
NET ASSETS	17,460	10,371
EQUITY		
Retained earnings	17,460	10,371
Council equity interest	17,460	10,371
Non-controlling equity interest	–	–
TOTAL EQUITY	17,460	10,371

Cumberland Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Function Centres	Swim Centres
	Category 2	Category 1
\$ '000	Actual 2017	Actual 2017
ASSETS		
Current assets		
Receivables	46	–
Total Current Assets	46	–
Non-current assets		
Infrastructure, property, plant and equipment	3,257	13,998
Total non-current assets	3,257	13,998
TOTAL ASSETS	3,303	13,998
LIABILITIES		
Current liabilities		
Provisions	253	336
Total current liabilities	253	336
Non-current liabilities		
Provisions	1	3
Total non-current liabilities	1	3
TOTAL LIABILITIES	254	339
NET ASSETS	3,049	13,659
EQUITY		
Retained earnings	3,049	13,659
Council equity interest	3,049	13,659
TOTAL EQUITY	3,049	13,659

Cumberland Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2017

	Long Day Care
	Category 1
\$ '000	Actual 2017
ASSETS	
Current assets	
Receivables	3
Total Current Assets	3
Non-current assets	
Infrastructure, property, plant and equipment	13,447
Total non-current assets	13,447
TOTAL ASSETS	13,450
LIABILITIES	
Current liabilities	
Provisions	1,036
Total current liabilities	1,036
Non-current liabilities	
Provisions	165
Total non-current liabilities	165
TOTAL LIABILITIES	1,201
NET ASSETS	12,249
EQUITY	
Retained earnings	12,249
Council equity interest	12,249
TOTAL EQUITY	12,249

Cumberland Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10

Cumberland Council

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

Note 1. Significant accounting policies

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

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in 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 NSW government policy statement titled '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 a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing 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)

a. Child Care

Provision of Child Long Day Care Service

b. Swimming Centres

Provision of Swimming Centre 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. Aged Care Units

Provision of accommodation for aged services

c. Function Centres

Hall Hire for functions, including catering

Monetary amounts

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

(i) Taxation-equivalent charges

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

Cumberland Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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%

Income tax

An income tax equivalent has been applied on the profits of the business activities.

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

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

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

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

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

Local government rates and charges

A calculation of the equivalent rates and charges 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 overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

The rate of return is calculated as follows:

Cumberland Council

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

Note 1. Significant accounting policies (continued)

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Cumberland Council

To the Councillors of the Cumberland Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cumberland Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Child Care
- Swim Centres
- Golf Course
- Aged Care Units
- Function Centres.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the period then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Weini Liao
Director, Financial Audit Services

21 December 2017
SYDNEY

Cumberland Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017

Cumberland Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Cumberland Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	5,045	4,225	14,000	13,180
Administration	51,307	9,871	–	(41,436)
Public order and safety				
Fire service levy, fire protection, emergency services	1,235	870	–	(365)
Enforcement of local government regulations	2,222	2,699	–	477
Animal control	248	58	–	(190)
Total public order and safety	3,705	3,627	–	(78)
Health	1,363	704	1	(658)
Environment				
Other environmental protection	793	87	–	(706)
Solid waste management	30,981	35,674	–	4,693
Street cleaning	5,052	154	–	(4,898)
Drainage	3,215	3,760	34	579
Stormwater management	910	222	–	(688)
Total environment	40,951	39,897	34	(1,020)
Community services and education				
Administration and education	7,340	1,511	–	(5,829)
Aged persons and disabled	(157)	2,066	–	2,223
Children's services	15,274	14,464	–	(810)
Total community services and education	22,457	18,041	–	(4,416)
Housing and community amenities				
Public conveniences	16	–	–	(16)
Street lighting	2,786	288	–	(2,498)
Town planning	8,469	10,656	18,456	20,643
Other community amenities	5,660	705	343	(4,612)
Total housing and community amenities	16,931	11,649	18,799	13,517

Cumberland Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	7,657	579	352	(6,726)
Community centres and halls	628	188	–	(440)
Sporting grounds and venues	1,289	1,195	551	457
Swimming pools	6,555	2,995	–	(3,560)
Parks and gardens (lakes)	17,486	1,996	–	(15,490)
Other sport and recreation	720	19	–	(701)
Total recreation and culture	34,335	6,972	903	(26,460)
Mining, manufacturing and construction				
Building control	16,687	1,718	–	(14,969)
Total mining, manufacturing and const.	16,687	1,718	–	(14,969)
Transport and communication				
Urban roads (UR) – local	2,514	1,456	1,683	625
Urban roads – regional	186	671	–	485
Parking areas	535	52	–	(483)
Footpaths	602	–	–	(602)
Other transport and communication	7,191	64	6,046	(1,081)
Total transport and communication	11,028	2,243	7,729	(1,056)
Economic affairs				
Other economic affairs	1,753	2,098	–	345
Total economic affairs	1,753	2,098	–	345
Totals – functions	205,562	101,045	41,466	(63,051)
General purpose revenues ⁽¹⁾		100,304		100,304
Share of interests – joint ventures and associates using the equity method	–	706		706
NET OPERATING RESULT ⁽²⁾	205,562	202,055	41,466	37,959

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

Cumberland Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)
for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the period (former Councils)			Debt redemption during the period	Principal outstanding at the end of the period		
	Current	Non-current	Total	From revenue	Current	Non-current	Total
Loans (by source)							
Financial institutions	1,558	11,003	12,561	1,701	1,245	9,615	10,860
Total debt	1,558	11,003	12,561	1,701	1,245	9,615	10,860

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

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

Cumberland Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross carrying amount	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	3,806	3,806	10,843	4,460	192,242	253,217	33%	47%	17%	2%	1%
	Sub-total	3,806	3,806	10,843	4,460	192,242	253,217	33.0%	47.0%	17.0%	2.0%	1.0%
Roads	Sealed roads	83,881	83,881	2,585	5,322	603,875	793,678	11%	44%	22%	16%	7%
	Bridges	731	731	25	13	51,687	63,568	25%	55%	19%	1%	0%
	Footpaths	9,156	9,156	138	567	100,974	153,224	12%	40%	41%	6%	0%
	Sub-total	93,768	93,768	2,748	5,902	756,536	1,010,470	12.4%	44.1%	24.5%	13.3%	5.7%

Cumberland Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross carrying amount	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater	Stormwater Pipes	38,036	38,036	326	617	425,178	578,519	8%	30%	57%	4%	0%
	Sub-total	38,036	38,036	326	617	425,178	578,519	8.1%	30.5%	57.1%	3.9%	0.3%
Open space/recreational	Recreational Assets	8,677	8,677		6,539	89,479	151,577	21%	44%	31%	4%	0%
	Sub-total	8,677	8,677	–	6,539	89,479	151,577	21.0%	44.0%	31.0%	4.0%	0.0%
	TOTAL – ALL ASSETS	144,287	144,287	13,917	17,518	1,463,435	1,993,783	14.4%	40.5%	33.5%	8.4%	3.1%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Cumberland Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>28,492</u>	106.11%
Depreciation, amortisation and impairment	<u>26,852</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>144,287</u>	9.83%
Net carrying amount of infrastructure assets	<u>1,467,710</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>17,518</u>	1.26
Required asset maintenance	<u>13,917</u>	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	<u>144,287</u>	7.24%
Gross replacement cost	<u>1,993,783</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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Cumberland Council

To the Councillors of Cumberland Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Weini Liao
Director, Financial Audit Services

21 December 2017
SYDNEY