

HAWKESBURY CITY COUNCIL

FINANCIAL STATEMENTS

for the year ended 30 June 2014

General Purpose

Special Purpose

Special Schedules



SHAPING OUR FUTURE



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Telephone Interpreter Service on 131 450.



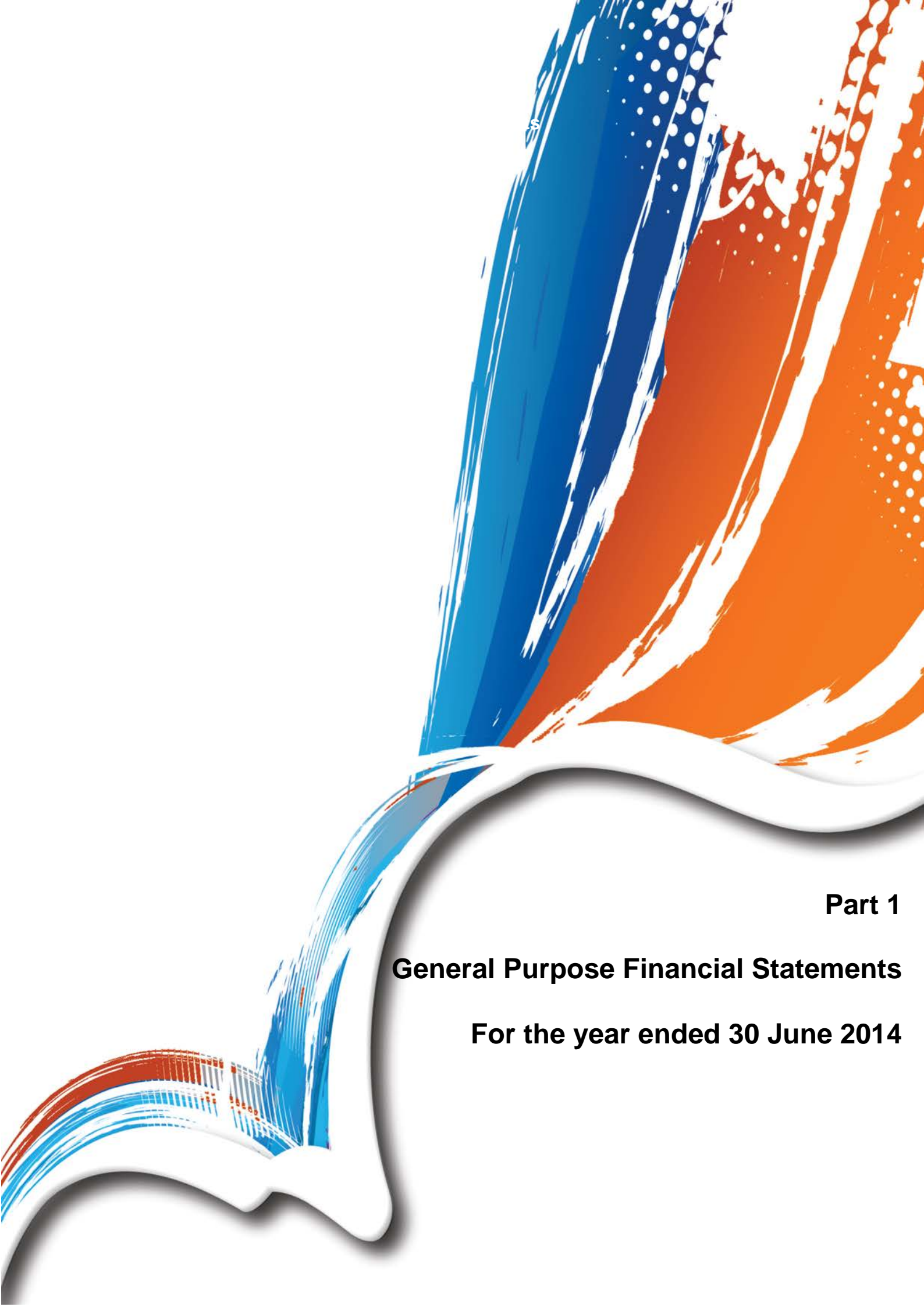
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Part 1

General Purpose Financial Statements

For the year ended 30 June 2014

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Hawkesbury City Council.
- (ii) Hawkesbury City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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 28 October 2014. Council has the power to amend and reissue these financial statements.
-

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council and Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2014.

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 values 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 financial statements are required to be audited by external accountants (that generally specialise in Local Government).

In NSW, the Auditor provides two 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.

Submissions from the public can be made 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.

Statement by Councillors and Management

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

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

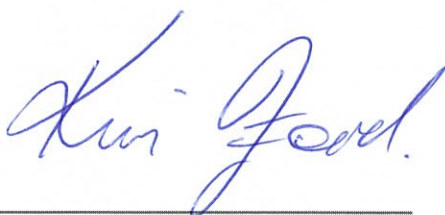
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

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

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

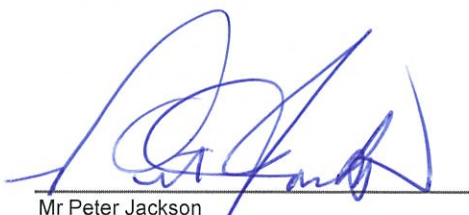
Signed in accordance with a resolution of Council made on 14 October 2014.



Councillor Kim Ford
MAYOR



Councillor Bob Porter
COUNCILLOR



Mr Peter Jackson
GENERAL MANAGER



Ms Emma Galea
RESPONSIBLE ACCOUNTING OFFICER

Income Statement

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
42,525	Rates & Annual Charges	3a	43,097	40,421
4,586	User Charges & Fees	3b	5,736	5,272
1,382	Interest & Investment Revenue	3c	2,012	2,173
3,374	Other Revenues	3d	7,364	4,903
6,687	Grants & Contributions provided for Operating Purposes	3e,f	6,252 ²	8,508
490	Grants & Contributions provided for Capital Purposes	3e,f	18,354	14,354
Other Income:				
-	Net gains from the disposal of assets	5	9	24
-	Net Share of interests in Joint Ventures & Associated			
-	Entities using the equity method	19	170	340
59,044	Total Income from Continuing Operations		82,994	75,995
Expenses from Continuing Operations				
18,639	Employee Benefits & On-Costs	4a	24,054	22,068
759	Borrowing Costs	4b	574	33
19,176	Materials & Contracts	4c	18,714	18,154
19,051	Depreciation & Amortisation	4d	14,428	14,315
-	Impairment	4d	-	-
11,872	Other Expenses	4e	10,582	10,161
69,497	Total Expenses from Continuing Operations		68,352	64,731
(10,453)	Operating Result from Continuing Operations		14,642	11,264
(10,453)	Net Operating Result for the Year		14,642	11,264
(10,453)	Net Operating Result attributable to Council		14,642	11,264
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(10,943)			(3,712)	(3,090)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

This statement should be read in conjunction with the accompanying Notes

Statement of Comprehensive Income

for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		14,642	11,264
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	8,242	30,101
Adjustment to correct prior period errors		(1,576)	1,865
Total Items which will not be reclassified subsequently to the Operating Result		6,666	31,966
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		6,666	31,966
Total Comprehensive Income for the Year		21,308	43,230
Total Comprehensive Income attributable to Council		21,308	43,230
Total Comprehensive Income attributable to Non-controlling Interests		-	-

This statement should be read in conjunction with the accompanying Notes

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	6,221	7,498
Investments	6b	37,000	37,010
Receivables	7	5,351	5,110
Inventories	8	309	297
Other	8	703	593
Total Current Assets		49,584	50,508
Non-Current Assets			
Receivables	7	1,107	1,165
Infrastructure, Property, Plant & Equipment	9	794,230	774,527
Investments accounted for using the equity method	19	2,349	2,178
Investment Property	14	34,946	31,690
Total Non-Current Assets		832,632	809,560
TOTAL ASSETS		882,216	860,068
LIABILITIES			
Current Liabilities			
Payables	10	6,798	5,938
Borrowings	10	800	400
Provisions	10	7,711	7,098
Total Current Liabilities		15,309	13,436
Non-Current Liabilities			
Borrowings	10	5,996	7,053
Provisions	10	5,275	5,251
Total Non-Current Liabilities		11,271	12,304
TOTAL LIABILITIES		26,580	25,740
Net Assets		855,636	834,328
EQUITY			
Retained Earnings	20	332,048	318,982
Revaluation Reserves	20	523,588	515,346
Council Equity Interest		855,636	834,328
Non-controlling Interests		-	-
Total Equity		855,636	834,328

This statement should be read in conjunction with the accompanying Notes

Statement of Changes in Equity

for the financial year ended 30 June 2014

\$ '000	Notes	(Refer 20b)			Total Equity	
2014						
Opening Balance (as per Last Year's Audited Accounts)		318,982	515,346	834,328	-	834,328
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		318,982	515,346	834,328	-	834,328
c. Net Operating Result for the Year		14,642		14,642	-	14,642
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	8,242	8,242	-	8,242
- Correction of Prior Period Errors (retained earnings)	20a	(1,576)	-	(1,576)	-	(1,576)
Other Comprehensive Income		(1,576)	8,242	6,666	-	6,666
Total Comprehensive Income (c&d)		13,066	8,242	21,308	-	21,308
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		332,048	523,588	855,636	-	855,636

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		305,853	485,245	791,098	-	791,098
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		305,853	485,245	791,098	-	791,098
c. Net Operating Result for the Year		11,264	-	11,264	-	11,264
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	30,101	30,101	-	30,101
- Correction of Prior Period Errors	20a	1,534	-	1,534	-	1,534
- Correction of Prior Period Errors (retained earnings)	20a	331	-	331	-	331
Other Comprehensive Income		1,865	30,101	31,966	-	31,966
Total Comprehensive Income (c&d)		13,129	30,101	43,230	-	43,230
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		318,982	515,346	834,328	-	834,328

This statement should be read in conjunction with the accompanying Notes

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
<u>Receipts:</u>				
42,525	Rates & Annual Charges		43,190	40,263
4,574	User Charges & Fees		6,948	3,421
1,587	Investment & Interest Revenue Received		2,014	2,263
7,177	Grants & Contributions		9,456	12,542
-	Bonds, Deposits & Retention amounts received		589	418
3,386	Other		8,252	7,109
<u>Payments:</u>				
(18,637)	Employee Benefits & On-Costs		(23,441)	(21,393)
(19,177)	Materials & Contracts		(18,845)	(17,907)
(302)	Borrowing Costs		(194)	(173)
(11,873)	Other		(14,202)	(15,173)
9,260	Net Cash provided (or used in) Operating Activities	11b	13,767	11,370
Cash Flows from Investing Activities				
<u>Receipts:</u>				
	Sale of Investment Securities		48,770	59,450
872	Sale of Infrastructure, Property, Plant & Equipment		1,058	1,229
<u>Payments:</u>				
	Purchase of Investment Securities		(48,760)	(61,010)
	Purchase of Investment Property		(145)	(24)
(9,563)	Purchase of Infrastructure, Property, Plant & Equipment		(15,167)	(13,296)
(8,691)	Net Cash provided (or used in) Investing Activities		(14,244)	(13,651)
Cash Flows from Financing Activities				
<u>Receipts:</u>				
5,260	Proceeds from Borrowings & Advances		-	5,260
<u>Payments:</u>				
(799)	Repayment of Borrowings & Advances		(800)	(400)
4,461	Net Cash Flow provided (used in) Financing Activities		(800)	4,860
5,030	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,277)	2,579
7,498	plus: Cash & Cash Equivalents - beginning of year	11a	7,498	4,919
12,528	Cash & Cash Equivalents - end of the year	11a	6,221	7,498
Additional Information:				
	plus: Investments on hand - end of year	6b	37,000	37,010
Total Cash, Cash Equivalents & Investments			43,221	44,508

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

This statement should be read in conjunction with the accompanying Notes

Notes to the Financial Statements

For the financial year ended 30 June 2014

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Notes to the Financial Statements

For the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

A. Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

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

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

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no material effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (AB) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (e.g. Infrastructure, Property, Plant and Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated remediation provisions.

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

B. Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash and Investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

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

C. Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it controls (as at 30 June 2014) and (ii) all the related operating results (for the financial year ended the 30th June 2014).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any Jointly Controlled Operations under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Sewerage Service
- Hawkesbury Sports Council Incorporated

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by 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 statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Jointly Controlled Entities

Any interests in Joint Venture Entities and Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings and reserves is recognised in the balance sheet.

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

- Hawkesbury River County Council

Control of noxious weeds, incorporating 4 member councils.

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Council and accordingly this entity has not been consolidated or otherwise included within these financial statements.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

D. Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Leases of property, plant and equipment where the Council 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 lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed 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.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

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

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

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

E. Cash and Cash Equivalents

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

- cash on hand,

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

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

F. Investments and Other Financial Assets

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

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

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

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

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

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

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

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

(iii) Held-to-maturity investments

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

In contrast to the "Loans and Receivables" classification, these investments are generally quoted in an active market.

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

(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.

Investments must be 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.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

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

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

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

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

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

General Accounting and Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

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

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

G. Fair value estimation

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

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

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

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

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

H. Receivables

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

Receivables (excluding Rates and Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

A provision for impairment (i.e. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

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

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

I. Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

J. Infrastructure, Property, Plant and Equipment (I,PPandE)

Acquisition of assets

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

At balance date, the following classes of I,PPandE were stated at their Fair Value;

- Investment Properties – refer Note 1(p),

- Water and Sewerage Networks
(External Valuation) – Indexed annually between valuations
- Operational Land
(External Valuation)
- Buildings – Specialised/Non Specialised
(External Valuation)
- Plant and Equipment
(as approximated by depreciated historical cost)
- Roads Assets incl. roads, bridges and footpaths
(Internal Valuation)
- Drainage Assets
(Internal Valuation)
- Bulk Earthworks
(Internal Valuation)
- Community Land
(Valuer General Valuation)
- Land Improvements
(as approximated by depreciated historical cost)
- Other Structures
(External Valuation)
- Other Assets
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant and Equipment:

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

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

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

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

Capitalisation Thresholds

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

Land

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

Plant and Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant and Equipment	> \$1,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$1,000
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Building

- construction/extensions	> \$1,000
- renovations	

Other Structures	> \$1,000
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Sewer Assets

Reticulation extensions	> \$1,000
Other	> \$1,000

Stormwater Assets

Drains and Culverts	> \$1,000
Other	> \$1,000

Transport Assets

Road construction and reconstruction	> \$1,000
Reseal/Re-sheet and major repairs	> \$1,000
Bridge construction and reconstruction	> \$1,000

Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

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

Buildings

- Buildings	50 to 100 years
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Stormwater Drainage

- Drains	60 to 85 years
- Culverts	50 to 90 years

Transportation Assets

- Sealed Roads : Surface	20 to 25 years
- Sealed Roads : Structure	50 to 219 years
- Bridge : Concrete	80 to 100 years
- Bridge : Other	50 to 60 years

- Road Pavements	60 years
- Kerb, Gutter and Paths	40 to 60 years

Sewer Assets

- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	20 to 25 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

Disposal and De-recognition

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

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

K. Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

L. Land under roads

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

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

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

M. Intangible Assets

Council has not classified any assets as Intangible.

N. Crown Reserves

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

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

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

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

O. Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

P. Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every three years with an appropriate index (derived externally) utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30 June 2013.

Q. Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and

revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

R. Non-Current Assets (or Disposal Groups) “Held for Sale” and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

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

The results of discontinued operations are presented separately on the face of the income statement.

S. Impairment of assets

All Council's I,PPandE is subject to an annual assessment of impairment.

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

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

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

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

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

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

T. Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

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

U. Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

V. Borrowing costs

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

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

W. Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

X. Employee benefits

(i) Short Term Obligations

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

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

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

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

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

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

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

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

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

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 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 year ending 30 June 2014 was \$794,875.

The amount of additional contributions included in the total employer contribution advised above is \$329,618.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,318,472 as at 30 June 2014.

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

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

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

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

Y. Self insurance

Council has determined 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 a bank guarantee and reserves to meet expected future claims.

Z. Allocation between current and non-current assets and liabilities

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

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

Exceptions

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

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

AA Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

AB New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017).

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

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

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

Applicable to Local Government but not relevant to Council at this stage;

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities).

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

Not applicable to Local Government per se;

None

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

AC Rounding of amounts

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

AD Comparative Figures

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

AE Disclaimer

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

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Governance	42	45	42	842	911	1,253	(800)	(866)	(1,211)	-	-	86	1
Looking After People and Place	3,373	1,963	6,116	24,285	25,620	23,443	(20,912)	(23,657)	(17,327)	878	(606)	68,985	68,788
Caring for Our Environment	18,073	12,440	10,787	19,409	18,440	17,151	(1,336)	(6,000)	(6,364)	100	153	190,186	188,060
Linking the Hawkesbury	1,599	12,446	3,169	18,609	17,260	17,320	(17,010)	(4,814)	(14,151)	1,028	2,895	417,720	403,341
Supporting Business and Local Jobs	8	41	316	574	582	540	(566)	(541)	(224)	34	310	64,503	63,268
Sharing Our Future Together	2,627	23,962	22,634	5,778	5,539	5,024	(3,151)	18,423	17,610	253	-	138,387	134,432
Total Functions & Activities	25,722	50,897	43,064	69,497	68,352	64,731	(43,775)	(17,455)	(21,667)	2,293	2,752	879,867	857,890
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	170	340	-	-	-	-	170	340	-	-	2,349	2,178
General Purpose Income ¹	33,322	31,927	32,591	-	-	-	33,322	31,927	32,591	2,520	4,564	-	-
Operating Result from Continuing Operations	59,044	82,994	75,995	69,497	68,352	64,731	(10,453)	14,642	11,264	4,813	7,316	882,216	860,068

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.



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

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

Looking After People And Place

A community in which the area's character is preserved and lifestyle choices are provided with sustainable, planned, well serviced development, within strongly connected, safe and friendly neighbourhoods.

Caring For Our Environment

A community dedicated to minimising its ecological footprint, enjoying a clean river and an environment that is nurtured, healthy, protected and provides opportunities for its sustainable use.

Linking The Hawkesbury

"A community which is provided with facilities and services efficiently linked by well maintained roads and accessible and integrated transport and communication systems which also connect surrounding regions."

Supporting Business And Local Jobs

New and existing industries which provide opportunities for a range of local employment and training options, complemented by thriving town centres.

Shaping Our Future Together

An independent, strong and engaged community, with a respected leadership which provides for the future needs of its people in a sustainable and financially responsible manner.

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		23,299	22,379
Farmland		1,375	1,401
Business		2,721	2,583
Total Ordinary Rates		27,395	26,363
Special Rates			
Nil		-	-
Total Special Rates		-	-
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		8,845	7,552
Sewerage Services		4,716	4,611
Waste Management Services (non-domestic)		1,013	860
Section 611 Charges		18	17
Sullage		1,110	1,018
Total Annual Charges		15,702	14,058
TOTAL RATES & ANNUAL CHARGES		43,097	40,421

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Sewerage Services		526	497
Waste Management Services (non-domestic)		12	23
Sullage		166	369
Total User Charges		704	889
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		1,270	802
Regulatory/ Statutory Fees		479	234
Registration Fees		2	2
Section 149 Certificates (EPA Act)		223	186
Section 603 Certificates		118	85
SMF Inspection Fees		208	158
Total Fees & Charges - Statutory/Regulatory		2,300	1,467
(ii) Fees & Charges - Other(incl. General User Charges (per s.608)			
Caravan Park		6	12
Cemeteries		177	160
Pound Income		681	569
Leaseback Fees - Council Vehicles		247	229
Library,Museum and Gallery Income		51	81
Park Rents		164	162
Restoration Charges		565	266
Swimming Centre		196	187
Vehicle Inspection Fees		16	14
Waste Management Facility		604	1,217
Other		25	19
Total Fees & Charges - Other		2,732	2,916
TOTAL USER CHARGES & FEES		5,736	5,272

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		208	214
- Interest earned on Investments (interest & coupon payment income)		1,804	1,959
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,012</u>	<u>2,173</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		208	214
General Council Cash & Investments		926	1,448
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		310	262
- Section 64		173	-
Sewerage Fund Operations		140	133
Domestic Waste Management operations		8	18
Stormwater Management		56	58
Other Externally Restricted Assets		191	38
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		-	2
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,012</u>	<u>2,173</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	3,175	1,693
Rental Income - Investment Properties	14	1,438	1,463
Rental Income - Other Council Properties		383	359
Fines - Parking		625	330
Fines - Other		91	52
Legal Fees Recovery - Rates & Charges (Extra Charges)		284	176
Insurance Claim Recoveries		10	11
Recycling Income (non domestic)		105	100
Sales - General		3	2
GST Fuel Rebates		214	94
NSW Rural Fire Reimbursement		182	184
NSW Rural Fire Section 44 Reimbursement		261	1
NSW SES Reimbursement		25	-
Agricultural Income		19	13
Nursery Income		27	27
Private Works Printing Income		24	15
External Income		71	47
Other		427	336
<u>TOTAL OTHER REVENUE</u>		<u>7,364</u>	<u>4,903</u>

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	¹ 1,386	2,686	-	-
Financial Assistance - Local Roads Component	¹ 818	1,563	-	-
Pensioners' Rates Subsidies - General Component	316	315	-	-
Total General Purpose	2,520	4,564	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Sewerage	40	38	-	-
- Domestic Waste Management	124	115	-	-
Aged Care	53	-	-	-
Clean Energy Future	-	-	29	-
Community Care	46	87	-	43
Environmental Protection	140	-	11	-
Flood Restoration	11	-	20	-
Heritage & Cultural	112	-	-	-
Housing Community	-	143	-	8
Library	5	-	-	-
Library - per capita	156	-	-	-
Library - special projects	16	-	-	-
Noxious Weeds	151	-	-	-
Public Order & Safety	70	55	-	-
Recreation & Culture	18	457	134	172
Street Lighting	93	93	-	-
Traffic Route Subsidy	10	-	-	-
Transport (Roads to Recovery)	-	-	118	-
Transport (Other Roads & Bridges Funding)	702	690	200	541
Economic Affairs	34	310	-	-
Total Specific Purpose	1,781	1,988	512	764
Total Grants	4,301	6,552	512	764
Grant Revenue is attributable to:				
- Commonwealth Funding	2,844	5,123	263	110
- State Funding	1,455	1,425	249	654
- Other Funding	2	4	-	-
	4,301	6,552	512	764

Note 3. Income from Continuing Operations (continued)

\$ '000		2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions					
(s93 & s94 - EP&A Act, s64 of the LGA):					
		-	-	2,328	799
		-	-	582	528
		-	-	50	328
Total Developer Contributions	17	-	-	2,960	1,655
Other Contributions:					
Bushfire Prevention		229	223	-	-
Dedications (S94)		-	-	12,995	11,337
Dedications (other than by S94)		-	-	550	50
Other Councils - Joint Works/Services		568	310	-	-
Roads & Bridges		877	1,340	1,232	498
Sewerage (excl. Section 64 contributions)		-	-	-	50
Other		277	83	105	-
Total Other Contributions		1,951	1,956	14,882	11,935
Total Contributions		1,951	1,956	17,842	13,590
TOTAL GRANTS & CONTRIBUTIONS		6,252	8,508	18,354	14,354

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2014	Actual 2013
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	8,454	6,500
add: Grants & contributions recognised in the current period but not yet spent:	3,956	2,797
less: Grants & contributions recognised in a previous reporting period now spent:	(1,511)	(843)
Net Increase (Decrease) in Restricted Assets during the Period	2,445	1,954
Unexpended and held as Restricted Assets	10,899	8,454
Comprising:		
- Specific Purpose Unexpended Grants	514	959
- Developer Contributions	10,385	7,495
	10,899	8,454

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		18,355	17,184
Travelling		12	9
Employee Leave Entitlements (ELE)		3,278	3,285
Superannuation		2,320	2,186
Workers' Compensation Insurance		121	718
Fringe Benefit Tax (FBT)		124	73
Payroll Tax		31	37
Training Costs (other than Salaries & Wages)		225	184
Other		64	(1,128)
Total Employee Costs		24,530	22,548
less: Capitalised Costs		(476)	(480)
TOTAL EMPLOYEE COSTS EXPENSED		24,054	22,068
Number of "Equivalent Full Time" Employees at year end		274	273
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		284	281
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Nil			
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	137	(118)
Interest applicable on Interest Free (& favourable) Loans to Council			
- * Unwinding of interest free loan from State Government		142	75
Other Borrowing Costs		295	76
Total Other Borrowing Costs		574	33
TOTAL BORROWING COSTS EXPENSED		574	33

* Unwinding of interest free loan calculation was based on 2.56%

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		7,290	9,576
Contractor & Consultancy Costs		10,185	7,514
Auditors Remuneration ⁽¹⁾		60	61
Legal Expenses:			
- Legal Expenses: Planning & Development		239	179
- Legal Expenses: Debt Recovery		184	163
- Legal Expenses: Other		83	110
Operating Leases:			
- Operating Lease Rentals: Contingent Rentals ⁽²⁾		501	398
Other		172	153
TOTAL MATERIALS & CONTRACTS		18,714	18,154
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		52	53
- Audit & review of financial statements: Other Consolidated Entity Auditors		8	8
Remuneration for audit and other assurance services		60	61
(ii) Taxation Services			
- Tax compliance services		-	-
- GST Advice		-	-
Remuneration for taxation services		-	-
(iii) Other Services			
- Remuneration advice		-	-
- Benchmarking advice		-	-
Remuneration for other services		-	-
Total Auditor Remuneration		60	61
2. Operating Lease Payments are attributable to:			
Computers		374	300
Other		127	98
		501	398

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,432	1,564
Office Equipment		-	-	275	297
Furniture & Fittings		-	-	39	36
Land Improvements (depreciable)		-	-	130	311
Buildings - Non Specialised		-	-	751	618
Buildings - Specialised		-	-	3,420	2,809
Other Structures		-	-	670	745
Infrastructure:					
- Roads		-	-	3,113	3,585
- Bridges		-	-	315	-
- Footpaths		-	-	182	-
- Stormwater Drainage		-	-	1,187	1,183
- Sewerage Network		-	-	1,475	1,450
Other Assets					
- Library Books		-	-	134	417
- Park Assets		-	-	1,176	1,159
Asset Reinstatement Costs	9 & 26	-	-	129	141
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	14,428	14,315

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		112	85
Bad & Doubtful Debts		5	6
Bank Charges		184	157
Computer Software Charges		729	690
- Bushfire Fighting Fund		525	497
- NSW Fire Brigade Levy		139	136
- Waste S88 EPA Contribution		2,618	2,081
- Other Contributions/Levies		722	677
Councillor Expenses - Mayoral Fee		38	37
Councillor Expenses - Councillors' Fees		210	200
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		62	67
Donations, Contributions & Assistance to other organisations (Section 356)		86	107
- Donations, Contributions & Assistance		5	-
Election Expenses		-	296
Electricity & Heating		939	1,029
Fire Control Expenses		345	169
Gas		47	37
Insurance		948	1,011
Licences & Subscriptions		178	153
Office Expenses (including computer expenses)		59	34
Postage		144	138
Printing & Stationery		68	84
Sewerage Treatment Works Operations		1,021	911
Stormwater - Environmental		41	93
Street Lighting		733	723
Telephone & Communications		205	198
Valuation Fees (Rates)		142	134
Water		172	166
Other		105	245
<u>TOTAL OTHER EXPENSES</u>		<u>10,582</u>	<u>10,161</u>

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Proceeds from Disposal - Property		19	-
less: Carrying Amount of Property Assets Sold / Written Off		(43)	-
Net Gain/(Loss) on Disposal		(24)	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		790	1,184
less: Carrying Amount of P&E Assets Sold / Written Off		(791)	(1,109)
Net Gain/(Loss) on Disposal		(1)	75
Infrastructure			
Proceeds from Disposal - Infrastructure		249	45
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(215)	(96)
Net Gain/(Loss) on Disposal		34	(51)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		48,770	59,450
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(48,770)	(59,450)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		9	24

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		321	-	448	-
Cash-Equivalent Assets ¹					
- Deposits at Call		5,900	-	7,050	-
- Short Term Deposits		-	-	-	-
Total Cash & Cash Equivalents		6,221	-	7,498	-
Investments (Note 6b)					
- Long Term Deposits		37,000	-	37,010	-
Total Investments		37,000	-	37,010	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		43,221	-	44,508	-

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

**Cash, Cash Equivalents & Investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash & Cash Equivalents

Nil

a. "At Fair Value through the Profit & Loss"

6,221	-	7,498	-
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Investments

a. "At Fair Value through the Profit & Loss"

-	-	-	-
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b. "Held to Maturity"

6(b-ii)	37,000	-	37,010	-
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c. "Loans & Receivables"

6(b-iii)	-	-	-	-
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d. "Available for Sale"

6(b-iv)	-	-	-	-
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Investments

37,000	-	37,010	-
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Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Note 6b. Investments (continued)

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Note 6(b-i) Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Nil				
Note 6(b-ii) Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	37,010	-	35,450	-
Additions	48,760	-	61,010	-
Disposals (sales & redemptions)	(48,770)	-	(59,450)	-
Balance at End of Year	37,000	-	37,010	-
Comprising:				
- Long Term Deposits	37,000	-	37,010	-
Total	37,000	-	37,010	-
Note 6(b-iii) Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv) Reconciliation of Investments classified as "Available for Sale"				
Nil				

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	43,221	-	44,508	-
attributable to:				
External Restrictions (refer below)	18,350	-	17,764	-
Internal Restrictions (refer below)	21,023	-	21,110	-
Unrestricted	3,848	-	5,634	-
	43,221	-	44,508	-

	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
2014 \$ '000				

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans- LIRS	5,088	-	(915)	4,173
External Restrictions - Included in Liabilities	5,088	-	(915)	4,173

External Restrictions - Other

Nil				
Developer Contributions - General (D)	7,495	3,443	(553)	10,385
Specific Purpose Unexpended Grants (F)	958	514	(958)	514
Specific Purpose Unexpended Contributions (F)	815	3,484	(3,653)	646
Specific Purpose Unexpended Grants-Sewer Fund (F)	251	45	(5)	291
Sewerage Services (G)	535	7,484	(7,870)	150
Domestic Waste Management (G)	602	10,005	(10,324)	283
Stormwater Management (G)	1,993	56	(141)	1,908
External Restrictions - Other	12,649	25,031	(23,504)	14,177
Total External Restrictions	17,737	25,031	(24,419)	18,350

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Nil				
Plant & Vehicle Replacement	94	-	-	94
Employees Leave Entitlement	1,565	-	-	1,565
Council S94 Contributions	315	-	(315)	-
Election	174	75	-	249
Heritage	128	50	-	178
Information Technology	368	405	(119)	654
Risk Management	390	-	-	390
Roadworks	2,517	-	(2,517)	-
Tip Remediation and Sullage	7,800	8,517	(7,612)	8,705
Unexpended Contributions	405	-	(55)	350
Unspent Work Reserve/Property	5,194	6,316	(4,940)	6,570
Workers Compensation	1,064	-	-	1,064
Other - Contingency	840	-	(494)	346
Other - Legal	238	-	-	238
Other - Infrastructure Projects	14	406	-	420
Energy Efficiency	-	200	-	200
Total Internal Restrictions	21,110	15,969	(16,050)	21,023
TOTAL RESTRICTIONS	38,874	41,000	(40,496)	39,373

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by Roads and Maritime Services for (RMS) works on the State's classified roads.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,526	974	1,560	1,033
Interest & Extra Charges		103	95	98	90
User Charges & Fees		1,336	38	2,443	42
Private Works		1	-	102	-
Accrued Revenues					
- Interest on Investments		665	-	677	-
Government Grants & Subsidies		1,749	-	144	-
Net GST Receivable		65	-	180	-
Total		5,445	1,107	5,204	1,165
less: Provision for Impairment					
User Charges & Fees		(94)	-	(94)	-
Total Provision for Impairment - Receivables		(94)	-	(94)	-
TOTAL NET RECEIVABLES		5,351	1,107	5,110	1,165
Externally Restricted Receivables					
Sewerage Services					
- Rates & Availability Charges		252	-	257	-
Total External Restrictions		252	-	257	-
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		5,099	1,107	4,853	1,165
TOTAL NET RECEIVABLES		5,351	1,107	5,110	1,165

Notes on Debtors above:

- (i) Rates & 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 & charges at 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		250	-	233	-
Trading Stock		59	-	64	-
Total Inventories		309	-	297	-
Other Assets					
Nil					
Prepayments		703	-	592	-
Other		-	-	1	-
Total Other Assets		703	-	593	-
TOTAL INVENTORIES / OTHER ASSETS					
		1,012	-	890	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Total Unrestricted Assets	1,012	-	890	-
TOTAL INVENTORIES & OTHER ASSETS	1,012	-	890	-

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

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2013					Asset Movements during the Reporting Period								as at 30/6/2014				
	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Adjustment to prior year period	Previous year capitalisation	Tfrs from/(to) Inv. Properties	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Impairment	Carrying Value
\$ '000																		
Capital Work in Progress	2,127	-	-	-	2,127	4,260	-	-	-	-	(1,797)	-	-	4,590	-	-	-	4,590
Plant & Equipment	-	14,845	8,268	-	6,577	3,264	(791)	(1,432)	(48)	(74)	21	-	-	-	13,386	5,869	-	7,517
Office Equipment	-	5,249	4,589	-	660	89	-	(275)	-	-	-	-	-	-	4,994	4,520	-	474
Furniture & Fittings	-	1,727	1,463	-	264	29	-	(39)	-	3	-	-	-	-	1,758	1,501	-	257
Land:																		
- Operational Land	-	92,201	-	-	92,201	-	-	-	-	-	-	-	-	-	92,201	-	-	92,201
- Community Land	-	76,109	-	-	76,109	725	-	-	-	125	-	-	-	-	76,959	-	-	76,959
- Land under Roads (post 30/6/08)	-	32,699	-	-	32,699	9,579	-	-	-	-	11	-	5,107	-	47,396	-	-	47,396
Land Improvements - non depreciable	-	681	-	-	681	30	-	-	-	-	-	-	-	-	711	-	-	711
Land Improvements - depreciable	-	5,595	4,657	-	938	14	-	(130)	(71)	(3)	-	-	-	-	5,389	4,641	-	748
Buildings - Non Specialised	-	38,893	14,607	-	24,286	289	(12)	(751)	(1,968)	(193)	209	-	247	-	36,384	14,716	-	21,668
Buildings - Specialised	-	95,220	35,762	-	59,458	708	(31)	(3,420)	(15,472)	(472)	513	63	605	-	74,303	31,912	-	42,391
Other Structures	-	30,696	17,971	-	12,725	275	(186)	(670)	(1,669)	(86)	98	-	-	-	26,779	16,292	-	10,487
Infrastructure:																		
- Roads	-	481,316	237,493	-	243,823	3,855	-	(3,113)	(9,645)	-	699	-	-	-	476,225	240,606	-	235,619
- Bridges	-	34,572	14,508	-	20,064	1,129	-	(315)	-	-	126	-	-	-	35,827	14,823	-	21,004
- Footpaths	-	15,690	8,543	-	7,147	151	-	(182)	-	-	18	-	-	-	15,859	8,725	-	7,134
- Stormwater Drainage	-	162,087	78,795	-	83,292	2,345	-	(1,187)	9,645	-	79	-	-	-	174,156	79,982	-	94,174
- Sewerage Network	-	156,752	74,350	-	82,402	613	-	(1,475)	-	-	-	-	2,283	-	161,772	77,949	-	83,823
- Swimming Pools	-	-	-	-	-	-	-	-	1,222	-	-	-	-	-	3,313	2,091	-	1,222
- Other Open Space/Recreational Assets	-	-	-	-	-	-	-	-	19,911	-	-	-	-	-	32,825	12,914	-	19,911
Other Assets:																		
- Heritage Collections	-	944	-	-	944	-	-	-	-	-	-	-	-	-	944	-	-	944
- Library Books	-	4,119	3,794	-	325	298	(29)	(134)	-	-	-	-	-	-	3,903	3,443	-	460
- Park Asset	-	58,449	31,265	-	27,184	765	-	(1,176)	(1,905)	(1,137)	23	-	-	-	51,886	28,132	-	23,754
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																		
- Tip Assets	-	1,405	784	-	621	294	-	(129)	-	-	-	-	-	-	1,699	913	-	786
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	2,127	1,309,249	536,849	-	774,527	28,712	(1,049)	(14,428)	-	(1,837)	-	63	8,242	4,590	1,338,669	549,029	-	794,230

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$8331) and New Assets (\$4145).

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 & Equipment.

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Sewerage Services								
WIP	265	-	-	265	-	-	-	-
Plant & Equipment	-	908	285	623	-	611	358	253
Land								
- Operational Land	-	2,225	-	2,225	-	2,225	-	2,225
- Community Land	-	7	-	7	-	7	-	7
Buildings	-	905	542	363	-	842	516	326
Other Structures	-	331	123	208	-	268	116	152
Infrastructure	-	161,844	77,978	83,866	-	156,752	74,377	82,375
Total Sewerage Services	265	166,220	78,928	87,557	-	160,705	75,367	85,338
Domestic Waste Management								
Plant & Equipment	-	1,856	917	939	-	1,834	996	838
Other Assets	-	577	356	221	-	518	255	263
Total DWM	-	2,433	1,273	1,160	-	2,352	1,251	1,101
TOTAL RESTRICTED I,PP&E	265	168,653	80,201	88,717	-	163,057	76,618	86,439

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,200	-	4,319	-
Accrued Expenses:					
Security Bonds, Deposits & Retentions		1,870	-	1,281	-
Other		728	-	338	-
Total Payables		6,798	-	5,938	-
Borrowings					
Loans - Secured ¹		400	1,536	400	1,793
Other Loan		400	4,460	-	5,260
Total Borrowings		800	5,996	400	7,053
Provisions					
Employee Benefits;					
Annual Leave		1,971	-	1,784	-
Sick Leave		671	-	678	-
Long Service Leave		4,882	579	4,311	743
Leave in Lieu		199	-	173	-
Sub Total - Aggregate Employee Benefits		7,723	579	6,946	743
Self Insurance - Workers Compensation		75	325	75	325
Asset Remediation/Restoration (Future Works)	26	(87)	4,371	77	4,183
Total Provisions		7,711	5,275	7,098	5,251
Total Payables, Borrowings & Provisions					
		15,309	11,271	13,436	12,304

(i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Sewer	590	1,662	240	2,577
Domestic Waste Management	256	81	310	3
Loan - LIRS	400	4,460	-	5,260
Liabilities relating to externally restricted assets	1,246	6,203	550	7,840
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	5,419	6,203	550	7,840
Total Liabilities relating to Unrestricted Assets	9,890	5,068	12,886	4,464
TOTAL PAYABLES, BORROWINGS & PROVISIONS	15,309	11,271	13,436	12,304

(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	5,295	5,319
Payables - Security Bonds, Deposits & Retentions	916	488
	6,211	5,807

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Note 10b. Description of and movements in Provisions

Nil

Class of Provision	2013	2014				
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	1,784	1,969	(1,782)	-	-	1,971
Sick Leave	678	6,767	(6,774)	-	-	671
Long Service Leave	5,054	5,460	(5,053)	-	-	5,461
Other Leave (enter details)	173	199	(173)	-	-	199
Self Insurance	400	-	-	-	-	400
Asset Remediation	4,260	650	(626)	-	-	4,284
TOTAL	12,349	15,045	(14,408)	-	-	12,986

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- c. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	6,221	7,498
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		6,221	7,498
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		14,642	11,264
Adjust for non cash items:			
Depreciation & Amortisation		14,428	14,315
Net Losses/(Gains) on Disposal of Assets		(9)	(24)
Non Cash Capital Grants and Contributions		(13,545)	(11,387)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		(3,175)	(1,693)
- Unwinding of Interest Free Loan		143	75
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
Unwinding of Discount Rates on Reinstatement Provisions		137	(118)
Unwinding of Discount Rate in PV calculation - Adjustment to TIP		100	(11)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(170)	(340)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(183)	(348)
Decrease/(Increase) in Inventories		(12)	(114)
Decrease/(Increase) in Other Assets		(110)	(319)
Increase/(Decrease) in Payables		(119)	361
Increase/(Decrease) in Other Liabilities		979	448
Increase/(Decrease) in Employee Leave Entitlements		613	675
Increase/(Decrease) in Other Provisions		48	(1,414)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		13,767	11,370

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
Dedicated Contributions		12,995	11,387
Other Non Cash Items (contribution of Lower Portland Ferry from RMS)		550	-
Total Non-Cash Investing & Financing Activities		13,545	11,387

(d) Financing Arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank Overdraft Facilities ⁽¹⁾		800	800
Credit Cards / Purchase Cards		308	500
Total Financing Arrangements		1,108	1,300

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

(e) Bank Guarantees

Nil

(f) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
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(a) Capital Commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, Plant & Equipment

Buildings	170	-
Property, Plant & Equipment	2,174	3,601
Total Commitments	2,344	3,601

These expenditures are payable as follows:

Within the next year	2,344	3,601
Total Payable	2,344	3,601

Sources for Funding of Capital Commitments:

Unrestricted General Funds	1,595	680
Unexpended Grants	105	515
Externally Restricted Reserves	389	2,213
Internally Restricted Reserves	255	193
Total Sources of Funding	2,344	3,601

(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	475	444
Later than one year and not later than 5 years	711	649
Total Non Cancellable Operating Lease Commitments	1,186	1,093

b. Non Cancellable Operating Leases include the following assets:

Office Rentals

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(7,066)	-11.53%	-8.64%	-12.77%
Total continuing operating revenue ⁽¹⁾	61,286			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(less ALL Grants & Contributions)	55,034	69.10%	69.08%	66.05%
Total continuing operating revenue ⁽¹⁾	79,640			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	30,982	3.95:1	4.59	4.86
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	7,852			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	7,936	577.58%	2124.94%	1189.34%
Principal Repayments (from the Statement of Cash Flows)	1,374			
+ Borrowing Interest Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	2,698	5.82%	6.40%	6.26%
Rates, Annual and Extra Charges Collectible	46,370			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	43,221	9.02	9.70	9.03
Payments from cash flow of operating and financing activities	4,790			

Notes

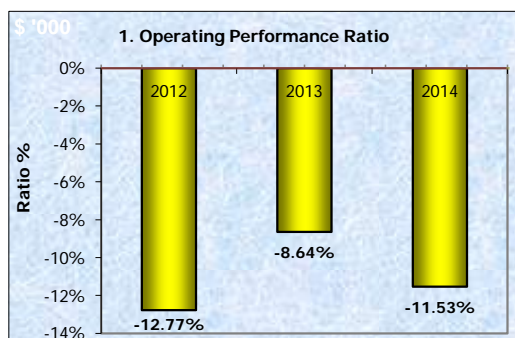
⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

⁽²⁾ Refer Notes 6-8 inclusive.
Also excludes any Real Estate & 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 & provisions not expected to be paid in the next 12 months (incl. ELE).

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Source for Benchmark: Code of Accounting Practice and Financial Reporting

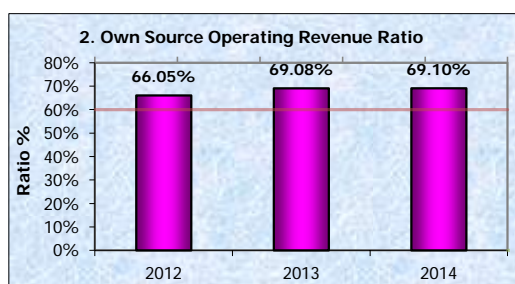
Purpose of Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2013/14 Result

2013/14 Ratio -11.53%

Ratio decreased as a result of increases in employee and contract costs, commencement of interest expense for an additional loan and a 26% decrease in operating grant income, attributable to the Financial Assistance Grant not being prepaid as in previous years.
Ratio needs improvement.



Source for Benchmark: Code of Accounting Practice and Financial Reporting

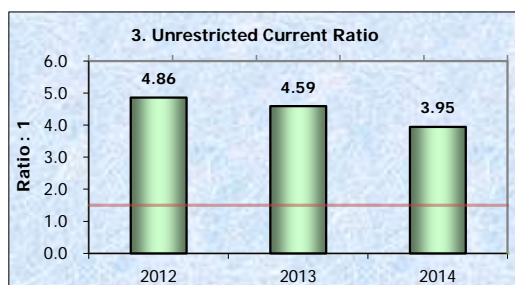
Purpose of Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2013/14 Result

2013/14 Ratio 69.10%

Ratio increased slightly due to increases in rates (3.4% - in line with rate pegging) and annual charges and reduction in grant income.
Ratio is better than benchmark.



Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Unrestricted Current Ratio

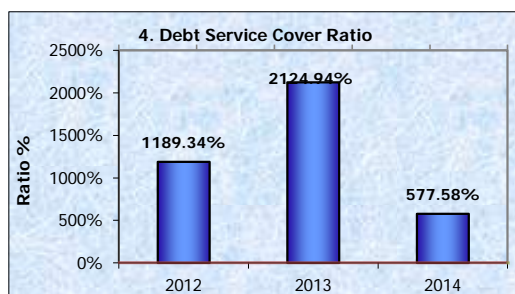
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2013/14 Result

2013/14 Ratio 3.95 : 1

Ratio increased as a result of decreased unrestricted current liabilities.
Ratio is better than benchmark.

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 200%

Source for Benchmark: NSW Treasury Corporation

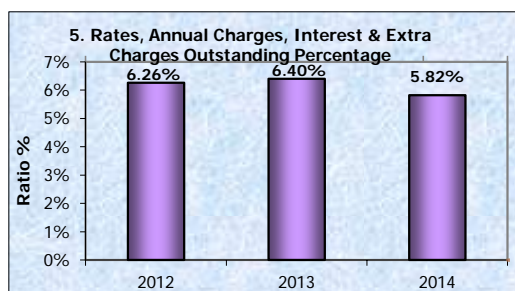
Purpose of Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2013/14 Result

2013/14 Ratio 577.58%

Ratio decreased due to the commencement of interest and principal repayments associated with a new loan for timber bridge replacements, of which the interest is partly subsidised under the Local Infrastructure Renewal Scheme. Ratio is better than benchmark.



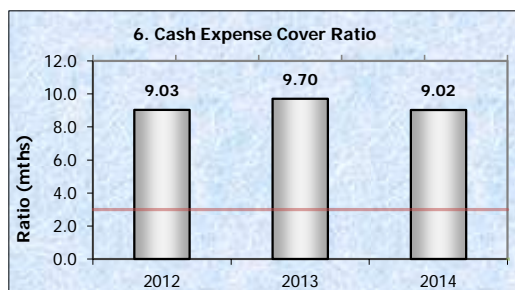
Purpose of Rates & Annual Charges Outstanding Ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2013/14 Result

2013/14 Ratio 5.82%

Ratio decreased as a result of issuing additional reminder notices prior to the year end.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on Result

2013/14 Ratio 9.02

Ratio decreased as a result of decreased cash and cash equivalents and increased operating and financing activity payments. Ratio is better than benchmark.

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund		
1. Operating Performance Ratio		
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions) - Operating Expenses	-1.87%	-12.54%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	prior period: -5.41%	-8.98%
2. Own Source Operating Revenue Ratio		
Total continuing operating revenue ⁽¹⁾ (less ALL Grants & Contributions)	98.44%	66.79%
Total continuing operating revenue ⁽¹⁾	prior period: 92.70%	67.11%
3. Unrestricted Current Ratio		
Current Assets less all External Restrictions ⁽²⁾	5.06 : 1	3.95:1
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	prior period: 22.60	4.59
4. Debt Service Cover Ratio		
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	0.00%	472.05%
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	prior period: 0.00%	1838.34%
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage		
Rates, Annual and Extra Charges Outstanding	5.32%	5.88%
Rates, Annual and Extra Charges Collectible	prior period: 0.00%	7.69%
6. Cash Expense Cover Ratio		
Current Year's Cash and Cash Equivalents including All Term Deposits	0.00	7.65
Payments from cash flow of operating and financing activities	prior period: 0.00	8.21

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
Investment Properties on Hand		34,946	31,690
Reconciliation of Annual Movement:			
Opening Balance		31,690	24,596
- Acquisitions / Additions		144	24
- Capitalised Expenditure - this year		-	175
- Disposals during Year		-	-
- Net Gain/(Loss) from Fair Value Adjustments		3,175	1,693
- Transfers from/(to) Owner Occupied (Note 9)		(63)	-
- Other Movements		-	5,202
CLOSING BALANCE - INVESTMENT PROPERTIES		34,946	31,690
(b) Valuation Basis			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2014 revaluations were based on Independent Assessments made by: K.D.Wood Valuations (Aust) Pty LTD Registered value No's. VAL11 & VAL6289			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows:			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:			
Within 1 year		212	376
Later than 1 year but less than 5 years		1,066	1,856
Later than 5 years		-	134
Total Minimum Lease Payments Receivable		1,278	2,366
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		1,055	1,310
- Other Income		383	153
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(256)	(202)
- that did not generate rental income		(205)	(276)
Net Revenue Contribution from Investment Properties		977	985
plus:			
Fair Value Movement for year		3,175	1,693
Total Income attributable to Investment Properties		4,152	2,678

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

Note 15. Financial Risk Management

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	6,221	7,498	6,221	7,498
Investments				
- "Held to Maturity" Receivables	37,000	37,010	37,000	37,010
	6,458	6,275	6,458	6,275
Total Financial Assets	49,679	50,783	49,679	50,783
Financial Liabilities				
Payables	6,798	5,938	6,798	5,938
Loans / Advances	6,796	7,453	6,797	7,453
Total Financial Liabilities	13,594	13,391	13,595	13,391

Fair Value is determined as follows:

- **Cash and Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value.
- **Borrowings and Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market 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

(a) Cash and Cash Equivalents, Financial assets 'at fair value through the profit and Loss' "Available-for-sale" financial assets and "Held-to-maturity" Investments

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

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

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 the interest rates applicable.

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 1% movement in Interest Rates	432	432	(432)	(432)
2013				
Possible impact of a 1% movement in Interest Rates	445	445	(445)	(445)

(b) Receivables

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.

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

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

Council makes suitable provision for doubtful receivables as required.

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:

	2014		2013	
	Rates and Annual Charges	Other Receivables	Rates and Annual Charges	Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue) Overdue	0% 100% 100%	96% 4% 100%	0% 100% 100%	96% 4% 100%
(ii) Ageing of Receivables - value				
Current (not yet overdue) Overdue	- 2,698 2,698	3,854 0 3,854	- 2,593 2,593	3,644 132 3,776
(iii) Movement in Provision for Impairment of Receivables				
Balance at the beginning of the year			2014 94	2013 94
+ new provisions recognised during the year			-	6
- amounts already provided for and written off this year			-	(6)
Balance at the end of the year			94	94

(c) Payables and Borrowings

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 (i.e. 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		
2014									
Trade/Other Payables	1,870	4,928	-	-	-	-	-	6,798	6,798
Loans and Advances	-	826	850	876	904	939	2,467	6,862	6,796
Total Financial Liabilities	1,870	5,754	850	876	904	939	2,467	13,660	13,594
2013									
Trade/Other Payables	1,281	4,657	-	-	-	-	-	5,938	5,938
Loans and Advances	-	800	826	849	875	903	3,804	8,057	7,453
Total Financial Liabilities	1,281	5,457	826	849	875	903	3,804	13,995	13,391

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:

	2014		2013	
	Carrying Value	Applicable Interest Rate	Carrying Value	Applicable Interest Rate
Loans and Advances - Fixed Interest Rate (subsidised)	4,860	5.82%	5,260	5.82%
Loans and Advances - Interest Free	1,936	0.00%	2,193	0.00%
	<u>6,796</u>		<u>7,453</u>	

Note 16. Material Budget Variations

Council's Original Financial Budget for 2013/2014 was adopted by the Council on 17 June 2013.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual:

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2014				
	Budget	Actual	Variance*		
REVENUES					
Rates and Annual Charges	42,525	43,097	572	1%	F
User Charges and Fees	4,586	5,736	1,150	25%	F
Income from the Hawkesbury Sport Council (HSC) was not included in the Original Budget. Road Reinstatement Fees, Animal Sales and Development income were over budget.					
Interest and Investment Revenue	1,382	2,012	630	46%	F
Investment revenue is more than the Original Budget due to higher level of funds invested than budgeted.					
Other Revenues	3,374	7,364	3,990	118%	F
The revaluation of investment properties as at 30 June 2014 resulted in a favourable variance, the result of which was unknown at time of formulating the Original Budget. Also unbudgeted was the Diesel Fuel Rebate resulting from a review conducted. Several emergency fire events resulted in unbudgeted reimbursements of section 44 expenditure.					
Operating Grants and Contributions	6,687	6,252	(435)	(7%)	U
Capital Grants and Contributions	490	18,354	17,864	3646%	F
Only known grants are budgeted for in the Original Budget. Non cash asset dedications are also not included in the Original Budget.					
Net Gains from Disposal of Assets	-	9	9	N/A	F
Net Gains from Disposal of Assets are not included in the Original Budget.					
Share of Net Profits - Joint Ventures and Associates	-	170	170	N/A	F
Share of profits from joint ventures and associates unknown at time of formulating the Original Budget.					
EXPENSES					
Employee Benefits and On-Costs	18,639	24,054	(5,415)	(29%)	U
Employee costs charged to jobs were partially budgeted against jobs and not employee costs. Increase in employee entitlements provisions were also only partially budgeted for.					
Borrowing Costs	759	574	185	24%	F
Movements in the Tip remediation provision and unwinding of the fair value adjustment on the Sewer Loan were less than budgeted.					

\$ '000	2014				
	Budget	Actual	Variance*		
Materials and Contracts	19,176	18,714	462	2%	F
Depreciation and Amortisation	19,051	14,428	4,623	24%	F
At the time Original Budget was formulated, the impact of adjustments made to useful lives as a result of reviewing the useful lives of infrastructure assets was unknown. The review resulted in depreciation expenses being less than the Original Budget.					
Other Expenses	11,872	10,582	1,290	11%	F
Reallocation of employee costs budgeted under the Other Expenses, resulted in actual Sewer expenses being less than the corresponding Original Budget. Overall, the Sewer operating expenditure was within acceptable variation limits. Tip Contingency costs included in the Original Budget were not required to be called upon. The impact of consolidation of HSC is not included in the Original Budget.					
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	9,260	13,767	4,507	48.7%	F
Grants and contributions received during the year not included in the Original Budget. Investment income greater than budgeted due to a higher level of funds invested.					
Cash Flows from Investing Activities	(8,691)	(4,744)	3,947	(45.4%)	F
The Original Budget does not include the net change in the overall value of the investment portfolio through the placement and redemption of term deposits. Purchase of Infrastructure, Plant and Equipment higher than Original Budget due to emergency reactive capital works and unbudgeted capital grant and contributions funded expenditure. Remaining variances related to changes in project timings due to reprioritisation of works.					
Cash Flows from Financing Activities	4,461	(800)	(5,261)	(117.9%)	U
The variance relates to a timing difference between the budgeted and actual draw down of the Local Infrastructure Renewal Scheme Loan, sourced for the Timber Bridge Replacement Program.					

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & 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 & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	500	8	2,113	13	(2,169)	-	465	-	(465)	-	-
Roads	499	1,031	1,308	43	(1,308)	-	1,573	750	(2,323)	-	-
Parking	705	-	-	21	-	-	726	-	(726)	-	-
Open Space	398	393	-	41	(50)	-	782	300	(1,082)	-	-
Community Facilities	1,837	424	9,573	67	(9,585)	-	2,316	320	(2,636)	-	-
Recreational Facilities	1,382	172	-	41	(196)	-	1,399	130	(1,529)	-	-
Bushfire	37	-	-	1	-	-	38	-	(38)	-	-
Extractive Industries	252	92	-	10	-	-	354	50	(404)	-	-
Land Acquisition	89	203	-	9	-	-	301	150	(451)	-	-
Plant Administration Reserve	38	5	-	1	(5)	-	39	4	(43)	-	-
S94 Contributions - under a Plan	5,737	2,328	12,994	247	(13,313)	-	7,993	1,704	(9,697)	-	-
S94A Levies - under a Plan	1,758	582	-	63	(234)	-	2,169				-
Total S94 Revenue Under Plans	7,495	2,910	12,994	310	(13,547)	-	10,162				-
S64 Contributions	-	50	-	173	-	-	223				
Total Contributions	7,495	2,960	12,994	483	(13,547)	-	10,385	1,704	(9,697)	-	-

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - HAWKESBURY CITY

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	500	8	2,113	13	(2,169)	-	465	-	(465)	-	-
Roads	1,121	1,031	1,308	43	(1,308)	-	2,195	750	(2,323)	-	-
Parking	705	-	-	21	-	-	726	-	(726)	-	-
Open Space	1,020	393	-	41	(50)	-	1,404	300	(1,082)	-	-
Community Facilities	1,837	424	9,573	67	(9,585)	-	2,316	320	(2,636)	-	-
Recreational Facilities	1,382	172	-	41	(196)	-	1,399	130	(1,529)	-	-
Bushfire	37	-	-	1	-	-	38	-	(38)	-	-
Extractive Industries	252	92	-	10	-	-	354	50	(404)	-	-
Land Acquisition	89	203	-	9	-	-	301	150	(451)	-	-
Plant Administration Reserve	38	5	-	1	(5)	-	39	4	(43)	-	-
Total	6,981	2,328	12,994	247	(13,313)	-	9,237	1,704	(9,237)	1,704	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN - HAWKESBURY CITY

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	1,758	582	-	63	(234)	-	2,169	500	(2,669)	-	-
Total	1,758	582	-	63	(234)	-	2,169				-

Note 18. Contingencies and Other Assets/Liabilities Not Recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Westpool

Council is one of seven members to Westpool, an insurance pool managed by Willis Aust. Ltd.

Council contributes to Westpool's operations and in return receives Public Liability and Professional Indemnity insurance coverage, and associated services such as training and risk assessment.

Council's contribution represented 8% of the total amounts paid in by member Councils.

The pool ended with a surplus of \$28.012M of which Council's proportional share is \$1.992M.

Should the pool ever require additional funding as a result of past insurance events, Council would be required to make any necessary contributions.

(ii) Workers Compensation Claims

Council holds a Workers Compensation Self Insurers licence and recognises that it might pay out future claims based upon past events.

Amounts that cannot be paid out of Council's recurrent Workers Compensation expenditure budget will be funded from a reserve that is set up specifically for this purpose - refer Note 6(c).

(iii) Other Guarantees

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

2. Superannuation Schemes

(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 and that member Councils will need to make significantly higher contributions from 2009/2010 and beyond.

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.

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 June 2008.

(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.

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & 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 Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture 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) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	-	-	-	-
Joint Venture Entities	170	340	2,349	2,178
Total	170	340	2,349	2,178

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

(a) Subsidiaries (ie. Entities & Operations controlled by Council)

These consolidated financial statements incorporate the assets, liabilities & results of the following subsidiaries in accordance with AASB 127 and the accounting policy described in Note 1(c).

Name of Operation/Entity	Principal Activity	Type of Entity	Equity Holding	
			2014	2013
1. Hawkesbury Sports Council	Sports & Sporting Recreation	Non Reporting	100%	100%
Current Year Financial Movements in Total Operation/Entity		Gross Financial Summary of Subsidiary		
Opening Equity Balance	492	Assets		578
New Capital Contributions	-	Liabilities		(54)
Operating Result	32	Net Equity		524
Adjustment to Equity Share	-			
Distributions Paid	-	Revenues		917
Closing Equity Balance	524	Net Profit		32
Non-controlling Interest Share	-	Non-controlling Interest Share		-

(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Westpool	Local Govt Insurance Pool	1,992	1,861
United Independent Pools	Local Govt Insurance Pool	357	317
Total Carrying Amounts - Joint Venture Entities		2,349	2,178

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Westpool	8%	8%	8%	8%	11%	11%
United Independent Pools	5%	5%	5%	5%	6%	6%

(c) Movement in Carrying Amounts

	Westpool		United Independent Pools	
	2014	2013	2014	2013
Opening Balance	1,861	1,599	317	239
Share in Operating Result	131	262	40	78
Council's Equity Share in the Joint Venture Entity	1,992	1,861	357	317

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

(b) Associated Entities & Joint Venture Entities (continued)

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2014					
Westpool	2,070	1,614	291	1,401	1,992
United Independent Pools	416	99	60	98	357
Totals	2,486	1,713	351	1,499	2,349
2013					
Westpool	3,677	2	250	1,568	1,861
United Independent Pools	456	-	55	84	317
Totals	4,133	2	305	1,652	2,178

(e) Share of Joint Ventures Revenues, Expenses & Results

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Westpool	771	640	131	848	586	262
United Independent Pools	394	355	39	482	404	78
Totals	1,165	995	170	1,330	990	340

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		318,982	305,853
a. Correction of Prior Period Errors	20 (c)	(1,576)	1,865
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		14,642	11,264
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		332,048	318,982
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		523,588	515,346
Total		523,588	515,346
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		515,346	485,245
- Revaluations for the year	9(a)	8,242	30,101
- Balance at End of Year		523,588	515,346
TOTAL VALUE OF RESERVES		523,588	515,346
(iii) Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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(c) Correction of Error/s relating to a Previous Reporting Period

Correction of errors disclosed in this year's financial statements:

Council has made the following asset adjustments to retained earnings

- Adjustment to the Interest free Sewer loan		331
- Asset disposals - not a owner of asset and duplication of assets	(2,752)	-
- Community Land previously not recorded in asset register	125	-
- Swimmn pool previously not recorded in asset register	770	-
Adjusment to the previous year reserves	(77)	-
- Adjusment to the Tip Remediation	270	-
- Hawkesbury Sport Council	88	-
	<u>(1,576)</u>	<u>331</u>

Correction of errors as disclosed in last year's financial statements:

Council has made the following asset adjustments to retained earnings:

Asset disposals - duplication of assets identified	(1,878)
Depreciation adjustment to properties	1,176
Operational Land previously not recorded in asset register	1,690
Buildings previously not recorded in asset register	347
Assets - adjustments between capital and operating	110
	<u>1,445</u>
Investment Property previously not recorded in investment register	175
Adjustment prior year income and expenses	(86)
Total Prior Period Adjustments - Prior Period Errors	<u><u>1,534</u></u>

(d) Voluntary Changes in Accounting Policies

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

Note 21. Financial Result & Financial Position by Fund

\$ '000

Income Statement by Fund \$ '000	Actual 2014	Actual 2014
Continuing Operations	Sewer	General¹
Income from Continuing Operations		
Rates & Annual Charges	4,717	38,380
User Charges & Fees	686	5,050
Interest & Investment Revenue	206	1,806
Other Revenues	57	7,307
Grants & Contributions provided for Operating Purposes	40	6,212
Grants & Contributions provided for Capital Purposes	50	18,304
Other Income		
Net Gains from Disposal of Assets	63	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	170
Total Income from Continuing Operations	5,819	77,229
Expenses from Continuing Operations		
Employee Benefits & on-costs	1,457	22,597
Borrowing Costs	-	431
Materials & Contracts	1,273	17,441
Depreciation & Amortisation	1,558	12,870
Unwinding of interest free loan	143	-
Other Expenses	1,497	9,085
Net Losses from the Disposal of Assets	-	54
Share of interests in Joint Ventures & Associates using the Equity Method	-	-
Total Expenses from Continuing Operations	5,928	62,478
Operating Result from Continuing Operations	(109)	14,751
Discontinued Operations		
Net Profit/(Loss) from Discontinued Operations	-	-
Net Operating Result for the Year	(109)	14,751
Net Operating Result attributable to each Council Fund	(109)	14,751
Net Operating Result attributable to Non-controlling Interests	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(159)	(3,553)

¹ General Fund refers to all Council's activities other than Water, Sewer & Other

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Note 21. Financial Result & Financial Position by Fund (continued)

\$ '000

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014
ASSETS	Sewer	General¹
Current Assets		
Cash & Cash Equivalents	6,564	(343)
Investments	-	37,000
Receivables	252	5,099
Inventories	-	309
Other	-	703
Total Current Assets	6,816	42,768
Non-Current Assets		
Receivables	-	1,107
Infrastructure, Property, Plant & Equipment	87,481	706,749
Investments Accounted for using the equity method	-	2,349
Investment Property	75	34,871
Total Non-Current Assets	87,556	745,076
TOTAL ASSETS	94,372	787,844
LIABILITIES		
Current Liabilities		
Payables	-	6,798
Borrowings	143	657
Provisions	263	7,448
Total Current Liabilities	406	14,903
Non-Current Liabilities		
Borrowings	1,793	4,203
Provisions	53	5,222
Total Non-Current Liabilities	1,846	9,425
TOTAL LIABILITIES	2,252	24,328
Net Assets	92,120	763,516
EQUITY		
Retained Earnings	43,736	288,312
Revaluation Reserves	48,384	475,204
Council Equity Interest	92,120	763,516
Non-controlling Interests	-	-
Total Equity	92,120	763,516

¹ General Fund refers to all Council's activities other than Water, Sewer & Other

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

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".

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2014) 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 15 October 2014.

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 2014.

(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 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance. Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, Rehabilitation and Restoration Liabilities

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2014	2013
South Windsor Waste Depot	2017	1,441	1,299
East Kurrajong Waste Depot	2014	2,843	2,961
Balance at End of the Reporting Period	<u>10(a)</u>	<u>4,284</u>	<u>4,260</u>

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- basing the future works costs on current reinstatement standards,
- using rates for government securities as the discount rate equivalent to the estimated reinstatement date.

Reconciliation of movement in Provision for year:

Balance at beginning of year	4,260	4,577
Amounts capitalised to new or existing assets	294	(188)
Effect of a change in discount rates used in PV calculations	(161)	(11)
Effect of a change in other calculation estimates used	(246)	-
Amortisation of discount (expensed to borrowing costs)	137	(118)
Total - Reinstatement, rehabilitation and restoration provision	4,284	4,260

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services and Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Note 27. Fair Value Measurement

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

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & 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:

Fair Value Measurement Hierarchy					
		Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements	Date of latest Valuation	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
Investment Properties					
Investment Properties	30/06/2011	-	-	34,946	34,946
Total Investment Properties		-	-	34,946	34,946
Infrastructure, Property, Plant and Equipment					
Plant & Equipment	30/06/2011	-	-	7,628	7,628
Office Equipment	30/06/2011	-	-	1,106	1,106
Furniture and Fittings	30/06/2011	-	-	272	272
Operational Land	30/06/2013	-	-	92,201	92,201
Community Land	30/06/2011	-	-	76,974	76,974
Land under road	30/06/2014	-	-	47,402	47,402
Land Improvements - non depreciable	30/06/2011	-	-	745	745
Land Improvements - depreciable	30/06/2011	-	-	748	748
Buildings - Non Specialised	30/06/2013	-	-	21,668	21,668
Buildings - Specialised	30/06/2013	-	-	43,130	43,130
Other Structure	30/06/2011	-	-	11,231	11,231
Road, Bridges, Footpaths	30/06/2010	-	-	265,040	265,040
Stormwater Drainage	30/06/2010	-	-	94,174	94,174
Swimming Pools and Other Open	30/06/2010	-	-	85,045	85,045
Space Heritage, Sewer, Books, Park	30/06/2011	-	-	46,866	46,866
Assets and Tip		-	-		
Total Infrastructure, Property, Plant and Equipment		-	-	794,230	794,230

(2) Transfers between Level 1 and Level 2 Fair Value Hierarchies

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

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

The Council's financial assets relate to investments in term deposits. The information included under note 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

Financial Liabilities

The Council does not have any liabilities which are fair valued.

Investment Properties

Council conducts indexation each year and a full revaluation is conducted every three years, and is classified as a Level 3 Fair Value. The full revaluation and indexation is done by independent and qualified valuers to determine the fair value of its investment properties. Indexation was used to determine the fair value for the investment properties as at 30 June 2014.

The indexation was conducted by K.D. Wood Valuations. The Valuer recommended to increase the value of Council's investment portfolio by 10%. The value of investment property was determined through either capitalisation of rental income or with reference to value of similar properties within the area. The key unobservable input to this valuation is rent, interest rate property value or rental price.

Next full revaluation is due at the end of the 2015/2016 financial year. Indexation will be applied next financial year.

Infrastructure, Property, Plant and Equipment

Buildings

Council engages external, independent and qualified valuers to determine the fair value of Council's buildings. Buildings were last revalued as at the 30 June 2013 by Scott Fullarton Valuations Pty Ltd.

The valuer obtained the gross value of each building by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input was the square metre rate, which was benchmarked to construction costs of similar properties across the industry.

Council revalues buildings very five years. The next revaluation is due during the 2017/2018 financial year.



Operational Land

Council engages external, independent and qualified valuer to determine the fair value of the council's operational land. Operational land was revalued on 30 June 2013 and fair values were determined by Scott Fullarton Valuation Pty Ltd.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to the description and dimensions of the land, Planning and other constraints on development and the potential for alternative use. In this regard, the valuer analysed sale of land throughout the subject and surrounding council area and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

Council revalues operational land very five years. The next revaluation is due during the 2017/2018 financial year.

Land Under Road

Council conducted the revaluation for the land under road on 30 June 2014. Council used the Valuer General's value to determine the fair value of the land under road assets.

Land under road has been determined using a unit rate per square metre, derived from the Unimproved Land Value as determined by the Valuer General, performed for rating purposes, and is applied to the total square area.

Council revalues the land under road very five years. The next revaluation is due during the 2018/2019 financial year.

Community Land

Council conducted revaluation for community land on 30 June 2011. Council used the Valuer General's value to determine the fair value of the community land.

Community land has been determined using a unit rate per square metre, derived from the Unimproved Land Value as determined by the Valuer General for rating purposes.

Council revalues the community land very five years, the next revaluation is due during the 2015/2016 financial year.

Sewerage Network

Council conducts indexation on asset values under this class every year and conducts a full revaluation every five years. The full revaluation is performed by the Council's internal professional staff.

The Sewerage network was last revalued in the 2009/2010 financial year. The fair value was determined based on asset replacement cost and condition of the assets. Council applies the construction cost index rate which is issued by the NSW Office of Water. The index rate for the 2013/2014 financial year is 2.8%.

The next full revaluation is due during the 2014/2015 financial year.

Road, Bridges, Footpaths and Drainage

Council conducts a full revaluation of the above assets every five years. The last revaluation was conducted during the 2009/2010 financial year, which was performed by Council's internal professional staff, consisting of qualified engineers.

The fair value of road assets was determined based on the replacement cost per square metre rate and condition of the asset. The fair value of footpaths and drainage assets were determined based on the replacement cost per square meter and the condition of the asset. Replacement costs was used to determine the fair value of bridges.

The next full revaluation is due during the 2014/2015 financial year.

(4) Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Finance Asset	Payable Liability	Loans Liability	Investment Properties	Total
Adoption of AASB 13 Closing	43,221	6,798	6,797	34,946	91,762
Balance - 30/06/2014	43,221	6,798	6,797	34,946	91,762
	Plant and Equipment	Office Equipment	Furniture and Fitting	Operational Land	Total
Adoption of AASB 13 Closing	7,628	1,106	272	92,201	101,207
Balance - 30/06/2014	7,628	1,106	272	92,201	101,207
	Community Land	Land Under Road	Land imp: Non Depreciable	Land Imp: Depreciable	Total
Adoption of AASB 13 Closing	76,974	47,402	745	748	125,869
Balance - 30/06/2014	76,974	47,402	745	748	125,869
	Buildings	Other Structures	Road Bridges Footpaths	All Other Assets	Total
Adoption of AASB 13 Closing	64,798	11,231	265,040	226,085	567,154
Balance - 30/06/2014	64,798	11,231	265,040	226,085	567,154

Note 27. Fair Value Measurement (continued)

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Investment Properties

Class	Fair Value (30/6/2014) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Investment Properties	34,946	Externally provided indexation, through either capitalisation of rental income or with reference to values of similar properties within the area	Rate per m ² Rental Rate per m ²	10% index on all properties	The higher the rate, the higher the fair value

I,PPandE

Class	Fair Value (30/6/2014) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Operational Land	92,201	Externally provided market value, with regard to "highest and best use" after considering all inputs the market would take into account, including description and dimension of the parcel of land, planning and other constraints on use and potential for alternative use.	Rate per m ²	\$5-\$900m ²	The higher the rate, the higher the fair value. Significant variance in the rate per square metre is reflective of the inherent features of the land such as zoning and useability.
Community Land	76,974	In accordance with the Valuer-General's unimproved land value	Rate per m ²	Unknown	The higher the rate, the higher the fair value

Class	Fair Value (30/6/2014) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Land Under Road	47,402	In accordance with the Valuer-General's unimproved land value	Rate per m ²	\$12-\$509m ²	The higher the rate, the higher the fair value
Building	64,798	Externally provided values determined by applying a unit rate to a structure for a square metre rate to a building based on current replacement cost.	Rate per m ²	\$810-\$15,000m ²	The higher the rate, the higher the fair value. Significant variance in the rate is reflective of the condition of the building, nature of the building and materials used to construct the building.
Roads, Bridges and Footpaths	265,040	Internally determined values provided by qualified engineers based on replacement cost per square metre and condition of the asset.	Rate per m ² or m ³	<ul style="list-style-type: none"> Gravel road \$5 (avg) Road seal \$6-\$60 Road Pavement \$60-\$85 Footpath \$90 (avg) Kerb and Gutter \$210m replacement Bridge \$4,161m² (avg) 	The higher the rate, the higher the fair value
Storm Water Drainage	94,174	Internally determined values provided by qualified engineers based on replacement cost and condition of the asset.	Rate per m ² or unit	<ul style="list-style-type: none"> Box culverts \$31m² (avg) Headwalls box units \$348-\$4,549 Headwalls pipes \$308-\$2,274 Pipes \$170-\$1,700m² Pit Box Culverts \$1-\$421m Pits pipes \$1-\$13m 	The higher the rate, the higher the fair value
Sewer Network	84,399	Internally determined values provided by qualified engineers based on replacement cost and condition of the asset.	Rate per lineal meter or unit	<ul style="list-style-type: none"> Reticulation \$195-\$1,230m² Mains \$155-\$570m² Mainholes \$2,144 (avg) 	The higher the rate, the higher the fair value

(5) Highest and best use

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

Note 28. Council Information and Contact Details

Principal Place of Business

366 George Street WINDSOR
NSW 2756

Opening Hours

8:30am to 5pm
Monday to Friday

Contact Details

Mailing Address:

PO Box 146
WINDSOR NSW 2756

Telephone: (02) 4560 4444

Facsimile: (02) 4587 7740

Officers

GENERAL MANAGER

Mr Peter Jackson

RESPONSIBLE ACCOUNTING OFFICER Ms

Emma Galea

PUBLIC OFFICER

Mr Laurie Mifsud

AUDITORS

Pricewaterhouse Coopers
Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 2000

Internet:

www.hawkesbury.nsw.gov.au

Email:

council@hawkesbury.nsw.gov.au

Elected Members

MAYOR Councillor

Kim Ford

COUNCILLORS

Councillor Bob Porter

Councillor Barry Calvert

Councillor Patrick Conolly

Councillor Mike Reed

Councillor Mary Lyons-Buckett

Councillor Warwick Mackay

Councillor Christine Paine

Councillor Paul Rasmussen

Councillor Jill Reardon

Councillor Tiffany Tree

Councillor Leigh Williams

Other Information

ABN: 54 659 038 834



The Hawkesbury City Council

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

Report on the financial statements

We have audited the accompany financial statements of the Hawkesbury City Council, which comprise the statement of financial position as at 30 June 2014 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 and the Projections disclosed in note 17 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

PricewaterhouseCoopers, ABN 52 780 433 757

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

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A blue ink signature, likely of a representative from PricewaterhouseCoopers.

PricewaterhouseCoopers

A blue ink signature, likely of Peter Buchholz.

Peter Buchholz
Partner

Sydney
28 October 2014



The Mayor
Councillor Kim Ford
Hawkesbury City Council
DX 8601
WINDSOR

Dear Councillor Ford

Report on the conduct of the Audit for year ended 30 June 2014 – Section 417(3)

We have completed our audit of the financial reports of the Council for the year ended 30 June 2014, in accordance with Section 415 of the Local Government Act 1993.

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

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

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

Operating result

Council's operating surplus Improved from \$11 million in the previous year to \$15 million in the current period. The net operating result before Capital Contributions was a deficit of \$4 million against the previous year's deficit of \$3 million.

Cash position

Council's overall cash position declined from \$45 million to \$43 million during the period under review. The following table highlights the composition of cash.

	2014 \$m	2013 \$m
Externally restricted	18	18
Internally restricted	21	21
Unrestricted	4	6
Total	43	45

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Working capital

Council's net current assets declined from \$37 million to \$34 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2014 \$m	2013 \$m
Net current assets	34	37
Less: External restrictions	(18)	(18)
Internal restrictions	(21)	(21)
Add: Current liabilities deferred	9	7
Available working capital	4	5

The effective unrestricted or available working capital upon which Council could build its 2015 budget was \$4 million.

Performance indicators

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

	2014 %	2013 %
Operating Performance Ratio	(12)	(9)
Own Source Operating Revenue Ratio	69	69
Unrestricted Current Ratio	395	459
Debt Service Cover Ratio	578	2125
Rates Outstanding Ratio	5.8	6.4
Cash Expense Cover Ratio	9	10

The Operating Performance Ratio declined and remained below the industry benchmark of 0%.

The Own Source Operating Revenue Ratio was stable at 69% and remained above the industry benchmark of 60%.

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

The Debt Service Cover Ratio decline but remained substantially better than the industry benchmark of 200%.

The Rates Outstanding Ratio improved but remained above the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 9 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.



Council is considered to be in a sound and stable financial position.

General

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

Yours faithfully

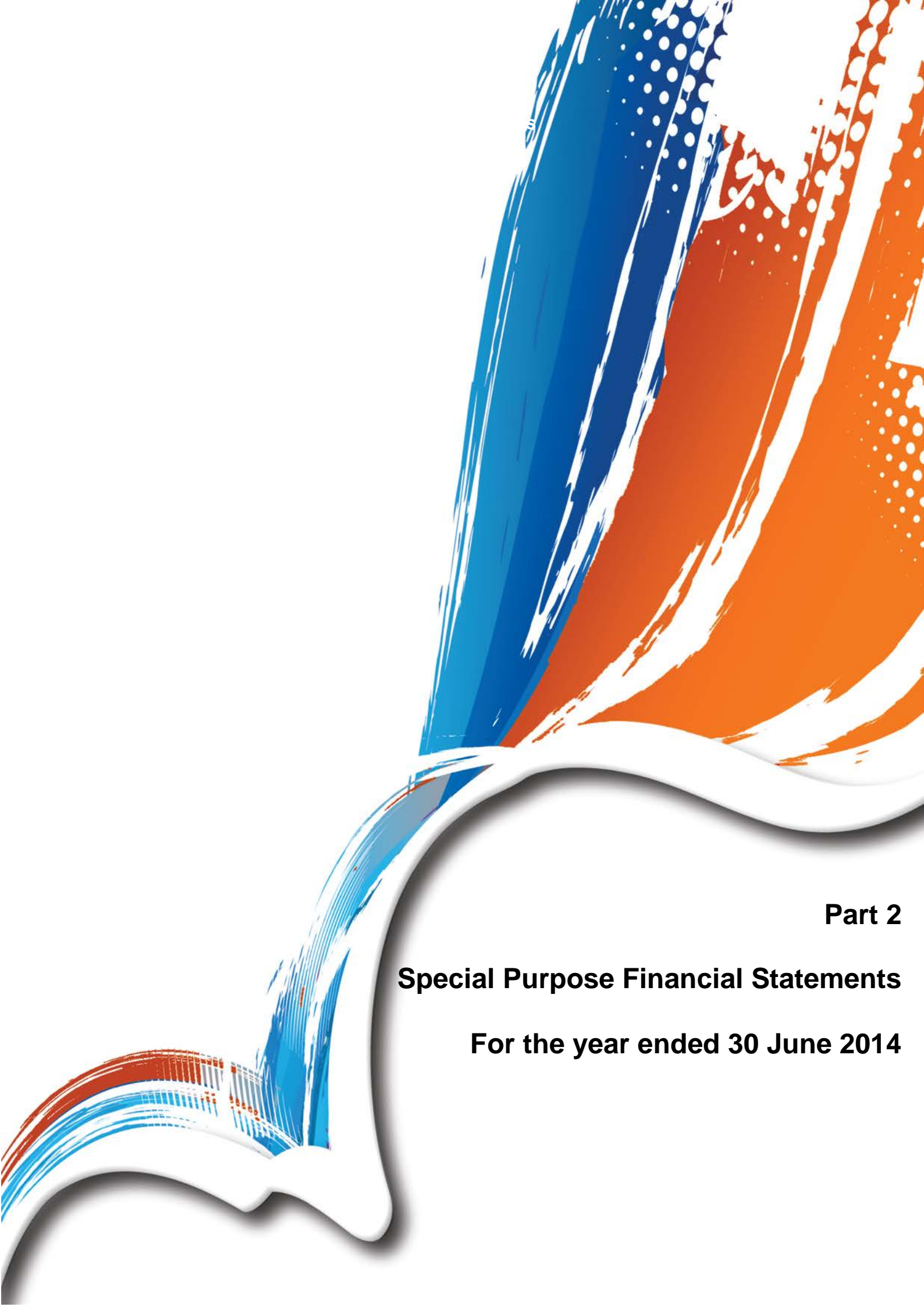
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PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "P L Buchholz".

P L Buchholz
Partner

28 October 2014



Part 2

Special Purpose Financial Statements

For the year ended 30 June 2014

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 over \$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 councils borrowing position by comparison with commercial rates).
-

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 & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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 year, 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 14 October 2014.



Councillor Kim Ford
MAYOR



Councillor Bob Porter
COUNCILLOR



Mr Peter Jackson
GENERAL MANAGER



Ms Emma Galea
RESPONSIBLE ACCOUNTING OFFICER

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	4,717	4,611
User charges	686	605
Interest	206	37
Grants and contributions provided for non capital purposes	40	38
Profit from the sale of assets	63	-
Other income	57	33
Total income from continuing operations	5,769	5,324
Expenses from continuing operations		
Employee benefits and on-costs	1,457	657
Materials and contracts	1,273	1,508
Depreciation and impairment	1,558	1,547
Loss on sale of assets	-	53
Unwinding of interest free loan	143	75
Other expenses	1,497	2,118
Total expenses from continuing operations	5,928	5,958
Surplus (deficit) from Continuing Operations before capital amounts	(159)	(634)
Grants and contributions provided for capital purposes	50	378
Surplus (deficit) from Continuing Operations after capital amounts	(109)	(256)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(109)	(256)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(109)	(256)
plus Opening Retained Profits	43,515	43,703
plus/less: Prior Period Adjustments	330	68
Closing Retained Profits	43,736	43,515
Return on Capital %	-0.2%	-0.7%
Subsidy from Council	3,273	3,851
Calculation of dividend payable:		
Surplus (deficit) after tax	(109)	(256)
less: Capital grants and contributions (excluding developer contributions)	(50)	(378)
Surplus for dividend calculation purposes	-	-
Potential Dividend calculated from surplus	-	-

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	6,564	6,838
Receivables	252	257
Total Current Assets	6,816	7,095
Non-Current Assets		
Infrastructure, property, plant and equipment	87,481	85,338
Investment property	75	-
Total non-Current Assets	87,556	85,338
TOTAL ASSETS	94,372	92,433
LIABILITIES		
Current Liabilities		
Interest bearing liabilities	143	75
Provisions	263	239
Total Current Liabilities	406	314
Non-Current Liabilities		
Interest bearing liabilities	1,793	2,449
Provisions	53	53
Total Non-Current Liabilities	1,846	2,502
TOTAL LIABILITIES	2,252	2,816
NET ASSETS	92,120	89,617
EQUITY		
Retained earnings	43,736	43,515
Revaluation reserves	48,384	46,102
Council equity interest	92,120	89,617
Non-controlling equity interest	-	-
TOTAL EQUITY	92,120	89,617



Notes to the Special Purpose Financial Statements

Contents

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Note 1. Summary of Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

The *"Pricing & 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 of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing 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. Sewerage Service

Comprising the operations & net assets of Council's Sewerage Reticulation & Treatment Operations servicing the Hawkesbury City Council area.

Category 2

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

Nil

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first \$412,000 of combined land values attracts 0%. From \$412,001 to \$2,519,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of 2.0% applies.

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

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date.

Local Government Rates & 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 the council's borrowing rate for its business activities.

(ii) Subsidies

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

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

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 the 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 Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income +
Interest Expense**

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 3.56% at 30/6/14.

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

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Note 3. Sewerage Business

Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	23,514
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	235,140
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(2,519,000)

2014 Surplus	(159,000)	2013 Surplus	(634,000)	2012 Surplus	(1,726,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	5,429
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	86,864
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	4,198
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,441
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-0.37%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	5,492
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.75%
NWI F13	Operating Cost (OMA) (Water & Sewerage) Operating Cost (Water & Sewerage) (NWI F11 + NWI F12)	\$'000	4,198
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,441
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-0.37%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	2.85%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(109)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	41

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.



The Hawkesbury City Council

Independent auditor's report Report on the special purpose financial report

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of **the Hawkesbury City Council** (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2014, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2014.

Councillors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion:

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of The Hawkesbury City Council as of 30 June 2014 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

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

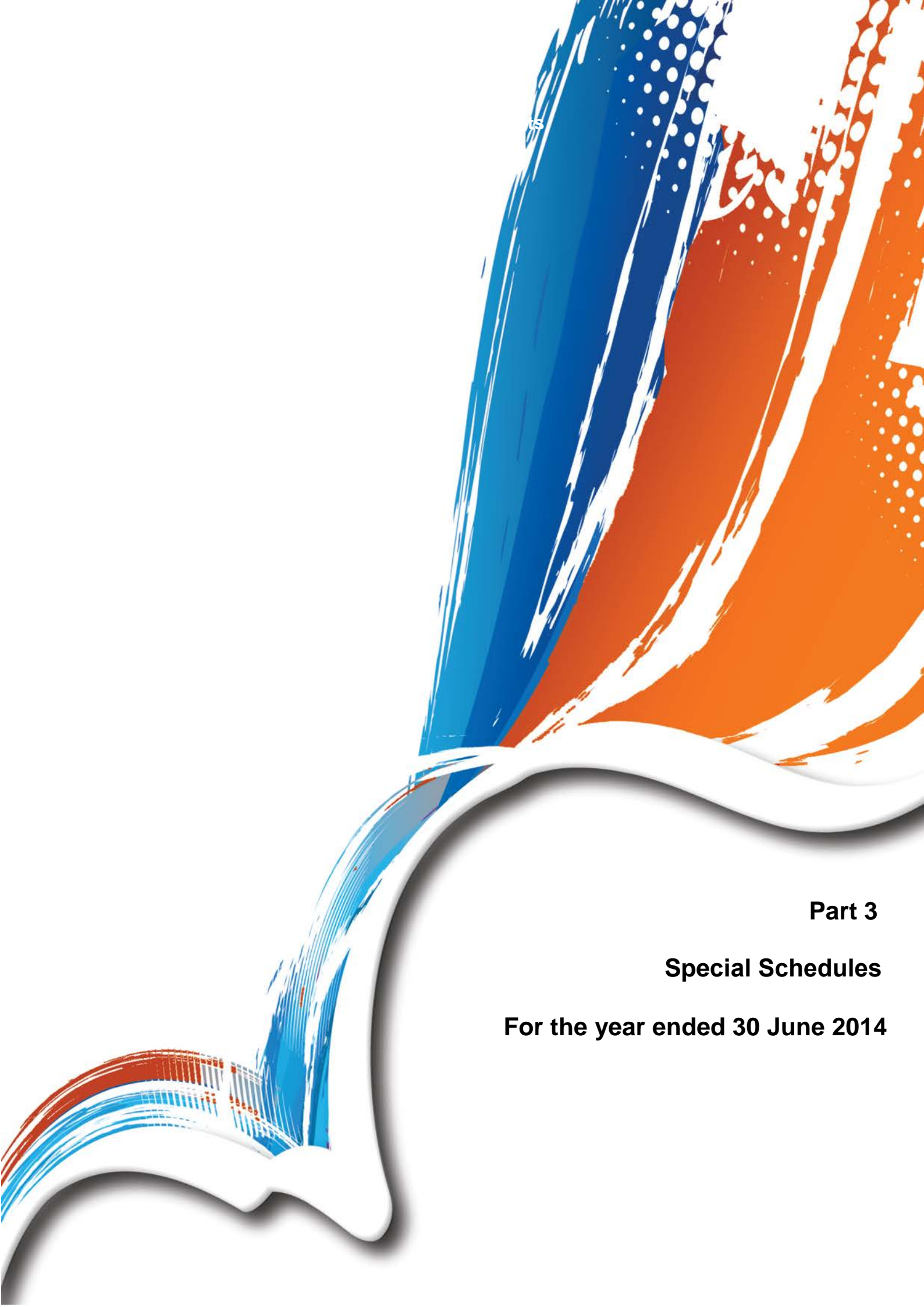
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PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Peter Buchholz", written over a faint, larger version of the same text.

Peter Buchholz
Partner

Sydney
28 October 2014



Part 3

Special Schedules

For the year ended 30 June 2014

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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

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.

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	980	45	-	(935)
Administration	7,313	1,752	29	(5,532)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	2,369	604	106	(1,659)
Enforcement of Local Govt. Regulations	461	74	-	(387)
Animal Control	955	600	-	(355)
Other	556	600	-	44
Total Public Order & Safety	4,341	1,878	106	(2,357)
Health	756	413	-	(343)
Community Services and Education				
Administration & Education	1,700	106	-	(1,594)
Total Community Services & Education	1,700	106	-	(1,594)
Housing and Community Amenities				
Town Planning	2,335	1,275	-	(1,060)
Other Community Amenities	12,100	10,861	5,292	4,053
Total Housing and Community Amenities	14,435	12,136	5,292	2,993
Sewerage Services	7,265	6,868	50	(347)
Recreation and Culture				
Public Libraries	2,400	(7)	-	(2,407)
Museums	1,022	25	-	(997)
Sporting Grounds and Venues	331	123	-	(208)
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	7,502	427	145	(6,930)
Other Sport and Recreation	1,617	99	-	(1,518)
Total Recreation and Culture	12,872	667	145	(12,060)
Fuel & Energy	565	249	-	(316)

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Mining, Manufacturing and Construction				
Building Control	1,011	341	-	(670)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,011	341	-	(670)
Transport and Communication				
Urban Roads (UR) - Local	11,531	2,234	11,092	1,795
Parking Areas	202	(4)	-	(206)
Other Transport & Communication	3,985	1,282	1,642	(1,061)
Total Transport and Communication	15,718	3,512	12,734	528
Economic Affairs				
Other Economic Affairs	1,398	4,576	-	3,178
Total Economic Affairs	1,398	4,576	-	3,178
Totals – Functions	68,354	32,543	18,356	(17,455)
General Purpose Revenues ⁽²⁾		31,927		31,927
Share of interests - joint ventures & associates using the equity method	-	170		170
NET OPERATING RESULT ⁽¹⁾	68,354	64,640	18,356	14,642

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Other State Government	400	1,793	2,193	-	400	-	-	-	400	1,393	1,793
Financial Institutions	-	5,260	5,260	-	400	-	-	295	400	4,460	4,860
Total Loans	400	7,053	7,453	-	800	-	-	295	800	5,853	6,653
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	400	7,053	7,453	-	800	-	-	295	800	5,853	6,653

Notes: Excludes (i) Internal Loans & (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).

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

	Actuals 2014	Actuals 2013
\$'000		
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	524	880
b. Engineering and Supervision	1,418	647
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	714	371
b. Maintenance expenses	-	-
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	-	-
e. Maintenance expenses	179	495
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,021	1,592
g. Chemical costs	-	-
h. Energy costs	-	-
i. Effluent Management	336	246
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	6	16
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	1,509	1,501
b. Plant and equipment	50	46
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	30	36
5. Total expenses	5,787	5,830

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	3,787	3,696
7. Non-residential charges		
a. Access (including rates)	22	23
b. Usage charges	907	892
8. Trade Waste Charges		
a. Annual Fees	509	486
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	20	19
10. Interest income	186	114
11. Other income	93	77
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	41	38
c. Other grants	-	-
13. Contributions		
a. Developer charges	-	50
b. Developer provided assets	-	-
c. Other contributions	50	328
14. Total income	5,615	5,723
15. Gain (or loss) on disposal of assets	63	(53)
16. Operating Result	(109)	(160)
16a. Operating Result (less grants for acquisition of assets)	(109)	(160)

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	377	1,985
b. New Assets for Growth	154	258
c. Renewals	410	1,215
d. Plant and equipment	500	91
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	1,441	3,549
Non-operating funds employed		
21. Proceeds from disposal of assets	106	31
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	106	31
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	6,867	6,848
b. Residential (unoccupied, ie. vacant lot)	44	51
c. Non-residential (occupied)	870	874
d. Non-residential (unoccupied, ie. vacant lot)	57	59
26. Number of ETs for which developer charges were received	6 ET	43 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 200,729	\$ 186,950

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/> NO	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/> YES	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2013/14 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>
<p>* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.</p> <p>However, disclosure of cross-subsidies is not required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.</p>			

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	(1,022)	-	(1,022)
b. Special purpose grants	-	291	291
c. Accrued leave	-	-	-
d. Unexpended loans	43	-	43
e. Sinking fund	-	-	-
f. Other	(4,523)	4,519	(4)
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	252	-	252
c. User Charges	7,255	-	7,255
d. Other	-	-	-
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	86,864	86,864
b. Plant and equipment	-	693	693
35. Other assets	-	-	-
36. Total Assets	2,005	92,367	94,372
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	-	-	-
39. Borrowings			
a. Loans	400	1,536	1,936
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	190	126	316
41. Total Liabilities	590	1,662	2,252
42. NET ASSETS COMMITTED	1,415	90,705	92,120
EQUITY			
42. Accumulated surplus			43,736
44. Asset revaluation reserve			48,384
45. TOTAL EQUITY			92,120
Note to system assets:			
46. Current replacement cost of system assets			162,172
47. Accumulated current cost depreciation of system assets			(75,308)
48. Written down current cost of system assets			86,864

Notes to Special Schedules No. 3 and 5

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses - (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses - (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses - (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements - (item 4b of Special Schedules 3 and 5) is to be used when I,PPandE decreases in FV.

Impairment Losses - (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program - (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ - (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ - (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges - (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income - (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions - (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (i.e. in item 16 for water supply and item 17 for sewerage, and not in items 1a and 1b).

⁽²⁾ To enable accurate reporting of residential revenue from usage charges, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Gross Replacement Value (GRV)	Assets in Condition as a % of GRV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices	2,613	159	721	14,776	0%	0%	100%	0%	0%
	Council Depots	1,106	84	221	4,848	0%	2%	68%	30%	0%
	Council Public Halls	1,939	185	263	24,330	0%	17%	73%	10%	0%
	Libraries	1,254	113	373	13,191	0%	0%	100%	0%	0%
	Cultural Facilities	756	73	179	6,251	96%	4%	0%	0%	0%
	Other Buildings	212	71	25	11,215	0%	0%	50%	50%	0%
	Council Leased Properties	1,917	379	114	4,024	0%	13%	78%	9%	0%
	Child Care Centres	2,273	117	160	13,782	0%	15%	85%	0%	0%
	Amenities/Toilets	1,675	166	344	18,271	1%	31%	55%	10%	3%
	sub total	13,745	1,347	2,400	110,688	5.6%	11.5%	71.9%	10.6%	0.5%
Other Structures	Other Structures	211	71	249	26,779	0%	0%	50%	50%	0%
	sub total	211	71	249	26,779	0.0%	0.0%	50.0%	50.0%	0.0%
Roads	Sealed Roads Surface	5,920	2,780	1,879	55,309	0%	79%	10%	5%	6%
	Sealed Roads Structure	17,289	7,179	2,419	327,517	0%	79%	10%	5%	6%
	Unsealed Roads	6,506	8,804	2,248	16,678	0%	50%	30%	10%	10%
	Bridges	2,830	157	50	35,827	8%	74%	0%	9%	9%
	Footpaths	702	217	1,433	10,582	0%	95%	0%	0%	5%
	Cycle ways	285	40	-	5,277	0%	97%	0%	3%	0%
	Kerb and Gutter	7,874	408	328	49,345	0%	90%	0%	9%	1%
	Other Road Assets	2,231	470	178	8,687	0%	35%	35%	15%	15%
	Car Park	-	-	-	18,689	0%	0%	90%	10%	0%
	sub total	43,637	20,055	8,535	527,911	19.2%	57.1%	15.7%	4.8%	3.2%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Gross Replacement Value (GRV)	Assets in Condition as a % of GRV ^{(4), (5)}				
						1	2	3	4	5
Sewerage Network	Mains	46	5	337	9,550	10%	43%	46%	1%	0%
	Pumping Station/s	111	420	378	18,054	10%	38%	51%	1%	0%
	Treatment	636	2,107	2,543	49,233	43%	28%	26%	2%	0%
	Reticulation	328	83	-	66,057	10%	15%	74%	1%	0%
	Manholes	76	25	-	18,876	0%	15%	84%	1%	0%
	sub total	1,198	2,640	3,258	161,770	18.8%	23.3%	56.5%	1.4%	0.0%
Stormwater Drainage	Retarding Basins	200	40	-	9,673	0%	70%	20%	10%	0%
	Stormwater Conduits	3,386	775	97	141,058	0%	70%	20%	10%	0%
	Inlet and Junction Pits	900	60	61	-	0%	80%	10%	10%	0%
	Head Walls	90	15	-	21,552	0%	80%	10%	10%	0%
	Flood Mitigation	15	45	22	-	0%	0%	0%	0%	0%
	Gross Pollutant Traps	10	45	64	1,871	0%	0%	10%	90%	0%
	Other Drainage Earthworks	-	-	227	-	0%	0%	0%	0%	0%
	sub total	4,601	980	471	174,154	0.0%	70.5%	18.7%	10.8%	0.0%
Open Space/Recreational	Swimming Pools	-	50	195	3,314	0%	0%	100%	0%	0%
	Open Space/Recreation	1,655	981	589	33,479	0%	0%	67%	6%	27%
	sub total	1,655	1,031	784	36,793	0.0%	0.0%	70.0%	6.0%	24.0%
	TOTAL - ALL ASSETS	65,047	26,124	15,697	1,038,095	13.3%	45.7%	31.3%	7.1%	2.6%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **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

This report reflects the condition of assets as at 30 June 2014 and do not reflect the anticipated intervention works required in future years based on the current degradation levels exhibited.

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	8,331	74.10%	85.32%	64.15%
Depreciation, Amortisation & Impairment	11,243			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition ⁽²⁾	65,047	0.06	0.14	0.15
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	1,038,095			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	15,697	0.60	0.69	0.68
Required Asset Maintenance	26,124			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	28,712	1.99	1.72	1.68
Annual Depreciation	14,428			

Notes

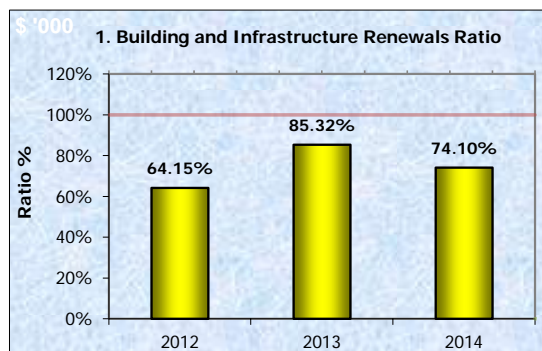
⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽²⁾ From 13/14 does not reflect works required in future years based on the current degradation levels exhibited.

⁽³⁾ Written down value

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014



Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

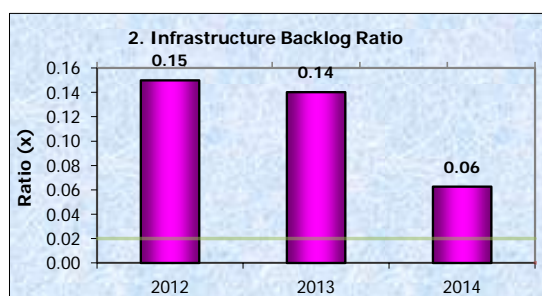
Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2013/14 Result

2013/14 Ratio 74.10%

This ratio has reduced as a result of increased focus on operational maintenance, thereby reducing capital renewal works in 2013/14. Ratio needs improvement.



Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

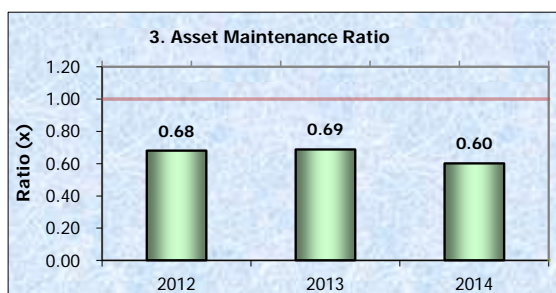
Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2013/14 Result

2013/14 Ratio 0.06 x

The ratio indicates that Council is substantially over the maximum benchmark and requires additional funding to reduce the infrastructure backlog. Ratio needs improvement.



Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

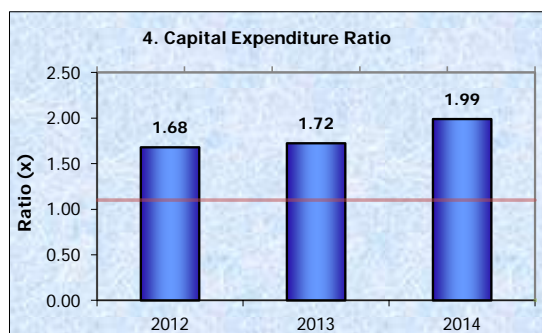
Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

Commentary on 2013/14 Result

2013/14 Ratio 0.60 x

The ratio is under the minimum benchmark of 1.0, indicating that Council needs to invest more funds within the year to stop the infrastructure backlog from growing. Ratio needs improvement.



Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2013/14 Result

2013/14 Ratio 1.99 x

The ratio is greater than 1.0 indicating that Council has expanded its asset base with capital expenditure spent on both new asset and replacement of existing assets. Ratio better than benchmark.

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

\$ '000	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund		
1. Building and Infrastructure Renewals Ratio		
Asset Renewals (Building and Infrastructure) ⁽¹⁾	0.00%	92.90%
Depreciation, Amortisation & Impairment		
prior period:	0.00%	108.18%
2. Infrastructure Backlog Ratio		
Estimated Cost to bring Assets to a Satisfactory Condition	0.01	0.14
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets		
prior period:	0.00	0.17
3. Asset Maintenance Ratio		
Actual Asset Maintenance	1.23	0.53
Required Asset Maintenance		
prior period:	0.00	0.69
4. Capital Expenditure Ratio		
Annual Capital Expenditure	0.92	2.04
Annual Depreciation		
prior period:	2.29	1.66

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

⁽²⁾ Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.

⁽³⁾ Written down value

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	82,994	62,347	67,707	70,895	75,312	80,319	84,587	90,311	96,752	103,168	110,730
Expenses from continuing operations	68,352	68,723	76,107	77,176	79,062	81,877	83,903	87,064	90,822	92,066	95,318
Operating Result from Continuing Operations	14,642	(6,376)	(8,400)	(6,281)	(3,750)	(1,558)	684	3,247	5,930	11,102	15,412
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	15,389	9,485	1,683	1,157	138	924	3,641	142	143	3,645	646
Replacement/Refurbishment of Existing Assets	13,173	10,416	19,509	16,597	15,000	18,235	13,179	15,888	13,067	12,554	13,490
Total Capital Budget	28,562	19,901	21,192	17,754	15,138	19,159	16,820	16,030	13,210	16,199	14,136
Funded by:											
– Loans	1,062	2,491	247	1,460	-	-	-	-	-	-	-
– Asset sales	941	1,004	1,281	1,184	1,075	1,476	1,080	1,411	1,043	1,442	1,201
– Reserves	9,267	16,031	18,589	14,035	12,988	16,608	14,781	11,097	5,963	3,380	853
– Grants/Contributions	15,403	375	1,075	1,075	1,075	1,075	275	275	275	275	275
– Recurrent revenue	1,889	-	-	-	-	-	684	3,247	5,929	11,102	11,807
	28,562	19,901	21,192	17,754	15,138	19,159	16,820	16,030	13,210	16,199	14,136

Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	27,068	28,070
Plus or minus Adjustments ⁽²⁾	b	129	109
Notional General Income	c	27,197	28,179
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	925	648
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	28,122	28,827
plus (or minus) last year's Carry Forward Total	l	(49)	3
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	(49)	3
Total Permissible income	o = k + n	28,073	28,830
less Notional General Income Yield	p	28,070	28,875
Catch-up or (excess) result	q = o - p	3	(45)
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	45
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	3	(0)

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



The Hawkesbury City Council

Independent auditor's report Report on the Special Schedule No. 9

Report on the Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of the Hawkesbury City Council ("the Council") for the year ended 30 June 2015.

Responsibility of Council for Special Schedule No. 9

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

Auditors' Responsibility

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

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

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Audit Opinion

In our opinion, Special Schedule No. 9 of the Hawkesbury City Council for the year ended 30 June 2015 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the council and the Division of Local Government.

A handwritten signature in blue ink, likely representing a PricewaterhouseCoopers representative.

PricewaterhouseCoopers

A handwritten signature in blue ink, identified as Peter Buchholz.

Peter Buchholz
Partner

Sydney
28 October 2014

