



Hawkesbury City Council

attachment 2

to

item 242

attachment 1

to

item 246

General Purpose and Special Purpose  
Financial Statements and  
Special Schedules  
for the period ending 30 June 2016

date of meeting: 8 November 2016

location: council chambers

time: 6:30 p.m.



HAWKESBURY CITY COUNCIL

# FINANCIAL STATEMENTS

for the year ended 30 June 2016

**General Purpose**  
**Special Purpose**  
**Special Schedules**



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### **Hawkesbury City Council**

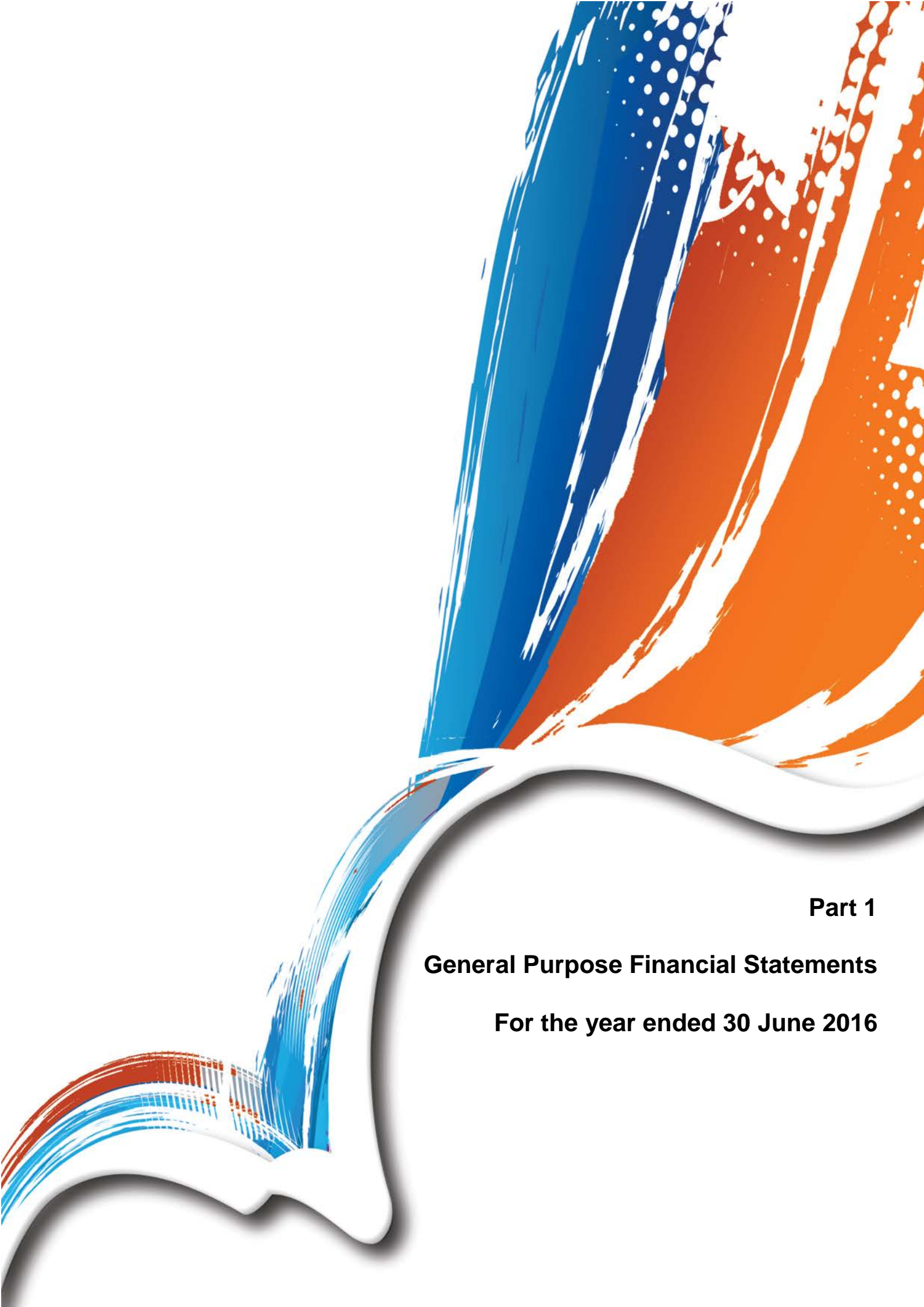
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Office Hours: Monday to Friday 8:30am-5pm



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**Part 1**

**General Purpose Financial Statements**

**For the year ended 30 June 2016**



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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 & 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 13 October 2016. 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 2016.

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

## About the Councillor/Management Statement

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

## About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

### 1. *The Income Statement*

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

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

### 2. *The Statement of Comprehensive Income*

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & 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*

This statement shows 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 specialize 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 & 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 OLG.

**General Purpose Financial Statements**  
for the financial year ended 30 June 2016

**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:**

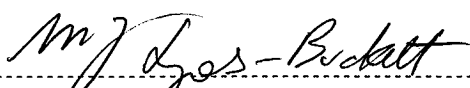
- The Local Government Act 1993 (as amended) and the Regulation made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

**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 Statements false or misleading in any way.**

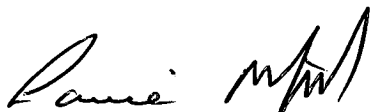
**Signed in accordance with a resolution of Council made on 11 October 2016.**



Councillor Mary Lyons-Buckett, Mayor



Councillor Barry Calvert, Deputy Mayor



Laurie Mifsud, Acting General Manager



Emma Galea, Responsible Accounting Officer

## Income Statement

for the financial year ended 30 June 2016

| Budget<br>2016   | \$ '000  | Notes | Actual<br>2016  | Actual<br>2015 |
|--|--|-------|-----------------|----------------|
| <b>Income from Continuing Operations</b>   |  |       |                 |                |
| <b>Revenue:</b>  |  |       |                 |                |
| 47,371   | Rates & Annual Charges   | 3a    | 47,870          | 44,901         |
| 5,637  | User Charges & Fees  | 3b    | 6,642           | 6,171          |
| 1,153  | Interest & Investment Revenue                                  | 3c    | 1,568           | 1,871          |
| 4,206  | Other Revenues   | 3d    | 4,443           | 16,256         |
| 6,849  | Grants & Contributions provided for Operating Purposes         | 3e,f  | 7,033           | 7,282          |
| 2,309  | Grants & Contributions provided for Capital Purposes           | 3e,f  | 18,286          | 30,159         |
| <b>Other Income:</b>   |  |       |                 |                |
| -  | Net gains from the disposal of assets                          | 5     | -               | -              |
| -  | Net Share of interests in Joint Ventures & Associated          |       |                 |                |
| -  | Entities using the equity method                               | 19    | 284             | 343            |
| <b>67,525</b>  | <b>Total Income from Continuing Operations</b>                 |       | <b>86,126</b>   | <b>106,983</b> |
| <b>Expenses from Continuing Operations</b>   |  |       |                 |                |
| 25,245   | Employee Benefits & On-Costs                                   | 4a    | 26,492          | 25,247         |
| 495  | Borrowing Costs  | 4b    | 398             | 439            |
| 18,507   | Materials & Contracts  | 4c    | 17,835          | 18,241         |
| 14,707   | Depreciation & Amortisation                                    | 4d    | 18,455          | 14,651         |
| -  | Impairment   | 4d    | -               | -              |
| 11,768   | Other Expenses   | 4e    | 16,389          | 10,240         |
| -  | Net losses from the disposal of assets                         | 5     | 245             | 9              |
| <b>70,722</b>  | <b>Total Expenses from Continuing Operations</b>               |       | <b>79,814</b>   | <b>68,827</b>  |
| <b>(3,198)</b>   | <b>Operating Result from Continuing Operations</b>             |       | <b>6,312</b>    | <b>38,156</b>  |
| <b>(3,198)</b>   | <b>Net Operating Result for the Year</b>                       |       | <b>6,312</b>    | <b>38,156</b>  |
| (3,198)  | Net Operating Result attributable to Council                   |       | 6,312           | 38,156         |
| -  | Net Operating Result attributable to Non-controlling Interests |       | -               | -              |
| <b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b> |  |       |                 |                |
| <b>(5,507)</b>   |  |       | <b>(11,974)</b> | <b>7,997</b>   |

<sup>1</sup> Original Budget as approved by Council - refer Note 16

The above Income Statement should be read in conjunction with the accompanying notes

## Statement of Comprehensive Income

for the financial year ended 30 June 2016

| \$ '000   | Notes   | Actual<br>2016 | Actual<br>2015 |
|---|---------|----------------|----------------|
| <b>Net Operating Result for the year</b> (from Income statement)  |         | <b>6,312</b>   | <b>38,156</b>  |
| <b>Other Comprehensive Income:</b>  |         |                |                |
| Amounts which will not be reclassified subsequently to the Operating Result   |         |                |                |
| Gain (loss) on revaluation of I,PP&E  | 20b     | 13,723         | 63,107         |
| Adjustment to correct prior period errors   | 20c     | (1,743)        | 76,591         |
| Other Comprehensive Income - joint ventures and associates  | 19b     | (109)          | -              |
| <b>Total Items which will not be reclassified subsequently to the Operating Result</b>                              |         | <b>11,871</b>  | <b>139,698</b> |
| Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met            |         |                |                |
| Nil   | 20b(ii) | -              | -              |
| <b>Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met</b> |         | <b>-</b>       | <b>-</b>       |
| <b>Total Other Comprehensive Income for the year</b>  |         | <b>11,871</b>  | <b>139,698</b> |
| <b>Total Comprehensive Income for the Year</b>  |         | <b>18,183</b>  | <b>177,854</b> |
| <b>Total Comprehensive Income attributable to Council</b>   |         | <b>18,183</b>  | <b>177,854</b> |
| <b>Total Comprehensive Income attributable to Non-controlling Interests</b>   |         | <b>-</b>       | <b>-</b>       |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

## Statement of Financial Position

as at 30 June 2016

| \$ '000   | Notes | Actual<br>2016   | Actual<br>2015   |
|---|-------|------------------|------------------|
| <b>ASSETS</b>                                     |       |                  |                  |
| <b>Current Assets</b>                             |       |                  |                  |
| Cash & Cash Equivalents                           | 6a    | 5,233            | 7,002            |
| Investments                                       | 6b    | 38,800           | 38,800           |
| Receivables                                       | 7     | 6,599            | 4,517            |
| Inventories                                       | 8     | 430              | 338              |
| Other   | 8     | 836              | 738              |
| <b>Total Current Assets</b>                       |       | <b>51,898</b>    | <b>51,395</b>    |
| <b>Non-Current Assets</b>                         |       |                  |                  |
| Receivables                                       | 7     | 1,051            | 925              |
| Infrastructure, Property, Plant & Equipment       | 9     | 979,109          | 958,354          |
| Investments accounted for using the equity method | 19    | 2,538            | 2,362            |
| Investment Property                               | 14    | 41,655           | 47,100           |
| Intangible Assets                                 | 25    | 471              | 621              |
| <b>Total Non-Current Assets</b>                   |       | <b>1,024,824</b> | <b>1,009,362</b> |
| <b>TOTAL ASSETS</b>                               |       | <b>1,076,722</b> | <b>1,060,757</b> |
| <b>LIABILITIES</b>                                |       |                  |                  |
| <b>Current Liabilities</b>                        |       |                  |                  |
| Payables  | 10    | 7,967            | 8,916            |
| Borrowings  | 10    | 850              | 825              |
| Provisions  | 10    | 8,812            | 8,514            |
| <b>Total Current Liabilities</b>                  |       | <b>17,629</b>    | <b>18,255</b>    |
| <b>Non-Current Liabilities</b>                    |       |                  |                  |
| Borrowings  | 10    | 4,506            | 5,272            |
| Provisions  | 10    | 2,914            | 3,740            |
| <b>Total Non-Current Liabilities</b>              |       | <b>7,420</b>     | <b>9,012</b>     |
| <b>TOTAL LIABILITIES</b>                          |       | <b>25,049</b>    | <b>27,267</b>    |
| <b>Net Assets</b>                                 |       | <b>1,051,673</b> | <b>1,033,490</b> |
| <b>EQUITY</b>                                     |       |                  |                  |
| Retained Earnings                                 | 20    | 451,255          | 446,795          |
| Revaluation Reserves                              | 20    | 600,418          | 586,695          |
| Council Equity Interest                           |       | 1,051,673        | 1,033,490        |
| Non-controlling Interests                         |       | -                | -                |
| <b>Total Equity</b>                               |       | <b>1,051,673</b> | <b>1,033,490</b> |

This above Statement of Financial Position should be read in conjunction with the accompanying notes

## Statement of Changes in Equity

for the financial year ended 30 June 2016

| \$ '000   | Notes    | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non-controlling Interest | Total Equity     |
|---|----------|-------------------|----------------------|------------------|--------------------------|------------------|
| <b>2016</b>   |          |                   |                      |                  |                          |                  |
| <b>Opening Balance</b> (as per Last Year's Audited Accounts)              |          | 446,795           | 586,695              | <b>1,033,490</b> | -                        | <b>1,033,490</b> |
| a. Correction of Prior Period Errors                                      | 20 (c)   | -                 | -                    | -                | -                        | -                |
| b. Changes in Accounting Policies (prior year effects)                    | 20 (d)   | -                 | -                    | -                | -                        | -                |
| <b>Revised Opening Balance (as at 1/7/14)</b>                             |          | <b>446,795</b>    | <b>586,695</b>       | <b>1,033,490</b> | -                        | <b>1,033,490</b> |
| <b>c. Net Operating Result for the Year</b>                               |          | <b>6,312</b>      | -                    | <b>6,312</b>     | -                        | <b>6,312</b>     |
| <b>d. Other Comprehensive Income</b>                                      |          |                   |                      |                  |                          |                  |
| - Revaluations : IPP&E Asset Revaluation Rsve                             | 20b (ii) | -                 | 13,723               | <b>13,723</b>    | -                        | <b>13,723</b>    |
| - Joint ventures and associates   | 19b      | (109)             | -                    | <b>(109)</b>     | -                        | <b>(109)</b>     |
| - Correction of Prior Period Errors (retained earnings)                   | 20c      | (1,743)           | -                    | <b>(1,743)</b>   | -                        | <b>(1,743)</b>   |
| <b>Other Comprehensive Income</b>   |          | <b>(1,852)</b>    | <b>13,723</b>        | <b>11,871</b>    | -                        | <b>11,871</b>    |
| <b>Total Comprehensive Income (c&amp;d)</b>                               |          | <b>4,460</b>      | <b>13,723</b>        | <b>18,183</b>    | -                        | <b>18,183</b>    |
| <b>e. Distributions to/(Contributions from) Non-controlling Interests</b> |          | -                 | -                    | -                | -                        | -                |
| <b>f. Transfers between Equity</b>  |          | -                 | -                    | -                | -                        | -                |
| <b>Equity - Balance at end of the reporting period</b>                    |          | <b>451,255</b>    | <b>600,418</b>       | <b>1,051,673</b> | -                        | <b>1,051,673</b> |

| \$ '000   | Notes    | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non-controlling Interest | Total Equity     |
|---|----------|-------------------|----------------------|------------------|--------------------------|------------------|
| <b>2015</b>   |          |                   |                      |                  |                          |                  |
| <b>Opening Balance</b> (as per Last Year's Audited Accounts)              |          | 332,048           | 523,588              | <b>855,636</b>   | -                        | <b>855,636</b>   |
| a. Correction of Prior Period Errors                                      | 20 (c)   | -                 | -                    | -                | -                        | -                |
| b. Changes in Accounting Policies (prior year effects)                    | 20 (d)   | -                 | -                    | -                | -                        | -                |
| <b>Revised Opening Balance (as at 1/7/13)</b>                             |          | <b>332,048</b>    | <b>523,588</b>       | <b>855,636</b>   | -                        | <b>855,636</b>   |
| <b>c. Net Operating Result for the Year</b>                               |          | <b>38,156</b>     |                      | <b>38,156</b>    | -                        | <b>38,156</b>    |
| <b>d. Other Comprehensive Income</b>                                      |          |                   |                      |                  |                          |                  |
| - Revaluations : IPP&E Asset Revaluation Rsve                             | 20b (ii) | -                 | 63,107               | <b>63,107</b>    | -                        | <b>63,107</b>    |
| - Correction of Prior Period Errors (retained earnings)                   | 20a      | 76,469            | -                    | <b>76,469</b>    | -                        | <b>76,469</b>    |
| <b>Other Comprehensive Income</b>   |          | <b>76,469</b>     | <b>63,107</b>        | <b>139,576</b>   | -                        | <b>139,576</b>   |
| <b>Total Comprehensive Income (c&amp;d)</b>                               |          | <b>114,625</b>    | <b>63,107</b>        | <b>177,732</b>   | -                        | <b>177,732</b>   |
| <b>e. Distributions to/(Contributions from) Non-controlling Interests</b> |          | -                 | -                    | -                | -                        | -                |
| <b>f. Transfers between Equity</b>  |          | 122               | -                    | <b>122</b>       | -                        | <b>122</b>       |
| <b>Equity - Balance at end of the reporting period</b>                    |          | <b>446,795</b>    | <b>586,695</b>       | <b>1,033,490</b> | -                        | <b>1,033,490</b> |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

## Statement of Cash Flows

for the financial year ended 30 June 2016

| Budget<br>2016  | \$ '000   | Notes | Actual<br>2016  | Actual<br>2015  |
|---|---|-------|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b>                         |   |       |                 |                 |
| <b>Receipts:</b>  |   |       |                 |                 |
| 47,371  | Rates & Annual Charges  |       | 47,749          | 44,958          |
| 5,637   | User Charges & Fees   |       | 6,004           | 5,823           |
| 1,153   | Investment & Interest Revenue Received                        |       | 1,713           | 1,937           |
| 9,158   | Grants & Contributions  |       | 13,367          | 13,914          |
| -   | Bonds, Deposits & Retention amounts received                  |       | -               | 1,173           |
| 4,206   | Other   |       | 8,603           | 8,025           |
| <b>Payments:</b>  |   |       |                 |                 |
| (25,245)  | Employee Benefits & On-Costs                                  |       | (26,103)        | (24,352)        |
| (18,207)  | Materials & Contracts   |       | (18,700)        | (17,308)        |
| (252)   | Borrowing Costs   |       | (245)           | -               |
| -   | Bonds, Deposits & Retention amounts refunded                  |       | (249)           | -               |
| (11,768)  | Other   |       | (16,795)        | (15,246)        |
| <b>12,053</b>   | <b>Net Cash provided (or used in) Operating Activities</b>    | 11b   | <b>15,344</b>   | <b>18,924</b>   |
| <b>Cash Flows from Investing Activities</b>                         |   |       |                 |                 |
| <b>Receipts:</b>  |   |       |                 |                 |
| -   | Sale of Investment Securities                                 |       | 62,300          | 65,500          |
| -   | Sle of Investment Property                                    |       | 167             | -               |
| 960   | Sale of Infrastructure, Property, Plant & Equipment           |       | 1,649           | 1,193           |
| <b>Payments:</b>  |   |       |                 |                 |
| -   | Purchase of Investment Securities                             |       | (62,300)        | (67,300)        |
| -   | Purchase of Investment Property                               |       | (38)            | (63)            |
| (10,385)  | Purchase of Infrastructure, Property, Plant & Equipment       |       | (18,042)        | (16,648)        |
| -   | Purchase of Real Estate Assets                                |       | -               | -               |
| <b>(9,425)</b>  | <b>Net Cash provided (or used in) Investing Activities</b>    |       | <b>(16,264)</b> | <b>(17,318)</b> |
| <b>Cash Flows from Financing Activities</b>                         |   |       |                 |                 |
| <b>Receipts:</b>  |   |       |                 |                 |
| -   | Proceeds from Borrowings & Advances                           |       | -               | -               |
| <b>Payments:</b>  |   |       |                 |                 |
| (850)   | Repayment of Borrowings & Advances                            |       | (849)           | (825)           |
| <b>(850)</b>  | <b>Net Cash Flow provided (used in) Financing Activities</b>  |       | <b>(849)</b>    | <b>(825)</b>    |
| <b>1,778</b>  | <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b> |       | <b>(1,769)</b>  | <b>781</b>      |
| 7,002   | plus: Cash & Cash Equivalents - beginning of year             | 11a   | 7,002           | 6,221           |
| <b>8,780</b>  | <b>Cash &amp; Cash Equivalents - end of the year</b>          | 11a   | <b>5,233</b>    | <b>7,002</b>    |
| Additional Information:   |   |       |                 |                 |
|   | plus: Investments on hand - end of year                       | 6b    | 38,800          | 38,800          |
| <b>Total Cash, Cash Equivalents &amp; Investments</b>               |   |       | <b>44,033</b>   | <b>45,802</b>   |
| 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 |   |       |                 |                 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes



## Notes to the Financial Statements

For the year ended 30 June 2016

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## Notes to the Financial Statements

For the financial year ended 30 June 2015

### 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) & 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 & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

##### (iii) New and amended standards adopted by Council

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

##### (iv) Early adoption of Accounting Standards

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

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

##### (v) Basis of Accounting

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

- a) 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,
- b) the write down of any Asset on the basis of Impairment (if warranted) and
- c) certain classes of non-current assets (e.g. Infrastructure, Property, Plant & 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:

- a) estimated fair values of investment properties
- b) estimated fair values of infrastructure, property, plant and equipment.
- c) estimated remediation provisions.

#### *Critical judgements in applying Council's accounting policies*

- a) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- b) 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 / contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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 & Investments is accounted for using the effective interest rate at the date that interest is earned.

#### *Dividend Income*

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

#### *Other Income*

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

### **C. Principles of Consolidation**

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

#### **(i) The Consolidated Fund**

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

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

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

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

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- McMahon's Park Management Committee,
- Sister City Association
- Western Sydney Regional Organisation of Councils
- Peppercorn Services 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.

These funds 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.

## **(iii) Interests in Other Entities**

### *Subsidiaries*

Subsidiaries represent all entities (including structured entities) over which the Council has control.

Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity.

All controlled entities have a June financial year end.

Detailed information relating to the entities that Council controls can be found at Note 19(a).

### *Joint Arrangements*

Council has no interest in any joint arrangements.

### *Joint Ventures*

Joint Ventures represent operational arrangements where the parties have rights to the net assets of the arrangement.

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

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings & reserves are recognised in the balance sheet.

Detailed information relating to Council's Joint Ventures can be found at Note 19 (b).

### *Associates*

Council has no interest in any Associates.

### *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 four 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. Accordingly, this entity has not been consolidated or otherwise included within these financial statements.

### *Unconsolidated Structured Entities*

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well defined objective and insufficient equity to finance its activities without financial support.

Detailed information relating to Council's interest in Unconsolidated Structured Entities can be found at Note 19 (d).



## **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 are 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 & 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 & 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 & 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 & 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.

### *(iii) Impairment*

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (e.g. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

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

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

### *(iv) 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 – Financial Instruments**

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

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

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 & 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 (ie. 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.

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**

Inventory held for distribution

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

Land held for resale / capitalisation of borrowing costs

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

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

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

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

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

## **J. Infrastructure, Property, Plant and Equipment (I,PP&E)**

Acquisition of assets

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

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

- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Operational Land** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Other Structures** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Stormwater Drainage** (Internal Valuation)

- **Water and Sewerage Networks** (External Valuation)
- **Swimming Pools** (External Valuation)
- **Other Open Space/Recreational Assets** (Internal Valuation)
- **Other Infrastructure** (Internal Valuation)
- **Other Assets** (as approximated by depreciated historical cost)
- **Investment Properties** – refer Note 1(p).

#### *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 (ie. 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 & 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 100% Capitalised  
(purchases after 30/06/08)

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#### Plant and Equipment

- Office Furniture > \$1,000
- Office Equipment > \$1,000
- Other Plant & Equipment > \$1,000

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#### Buildings and Land Improvements

- Park Furniture and Equipment > \$1,000

#### Building

- Construction/extensions > \$1,000
- Renovations > \$1,000

- Other Structures > \$1,000

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#### Sewer Assets

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

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#### Stormwater Assets

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

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#### Transport Assets

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

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#### Other Infrastructure Assets

- Swimming Pools > \$1,000
- Other Open Space/Recreational Assets > \$1,000

- 
- Other Infrastructure > \$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,PP&E 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

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#### Buildings

- Buildings 50 to 100 years

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#### Stormwater Drainage

- Culverts, Pipes, Headworks, Pits 100 years
- Gross Pollutant Traps 90 years

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#### Transportation Assets

- Sealed Roads : Surface 60 to 100 years
- Sealed Roads : Structure 100 years
- Bridge : Concrete/Steel 100 years
- Bridge : Timber 80 years
- Road Pavements 100 years
- Kerb, Gutter and Paths 40 to 100 years

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#### Sewer Assets

- Reticulation pipes : PVC 70 years
- Pumps 25 years
- Manholes 70 years
- Mains 40 to 70 years

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#### Other Infrastructure Assets

- Bulk earthworks Infinite
- Swimming Pools 50 to 60 years
- Park Assets 1 to 252 years

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

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

#### *Disposal and 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**

#### *IT Development and Software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from three to five years.

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

### **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 &/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 2016.

#### **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, e.g. 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,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

Goodwill & 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 & 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 four 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 Richard Boyfield (FIAA) on 24 February 2016 and covers the period ended 30 June 2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016 was \$709,979.

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 \$562,894 as at 30 June 2016.

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

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

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

#### *Defined Contribution Plans*

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

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

#### **(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 June 2016.

#### **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 cash and investments to meet expected future claims and these are detailed in Note 6(c).

#### **Z. Allocation between current and non-current assets & 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 & 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 2016.

Council has not adopted any of these standards early.

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

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

#### *AASB 9 – Financial Instruments*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At this stage there is no specific date of release for a standard nor a date of applicability.

## **AASB16 – Leases**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **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.<br>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  | Actual        | Actual         | Original Budget                     | Actual        | Actual        | Original Budget                             | Actual          | Actual        | Actual   | Actual       | Actual                                    | Actual           |
|  | 2016   | 2016          | 2015           | 2016                                | 2016          | 2015          | 2016  | 2016            | 2015          | 2016   | 2015         | 2016                                      | 2015             |
| Governance   | 45   | 9             | 43             | 524                                 | 386           | 765           | (479)                                       | (377)           | (722)         | -  | 339          | 351                                       | 136              |
| Looking After People and Place   | 5,112  | 9,003         | 8,747          | 27,635                              | 28,808        | 26,174        | (22,523)                                    | (19,805)        | (17,427)      | 2,036  | 973          | 70,165                                    | 67,976           |
| Caring for Our Environment   | 21,173   | 22,108        | 19,901         | 20,666                              | 21,392        | 19,385        | 507   | 716             | 516           | 22   | 247          | 192,989                                   | 190,107          |
| Linking the Hawkesbury   | 3,596  | 16,442        | 28,230         | 17,522                              | 19,539        | 15,975        | (13,926)                                    | (3,097)         | 12,255        | 3,516  | 1,957        | 608,246                                   | 595,277          |
| Supporting Business and Local Jobs   | 20   | 9             | 18             | 737                                 | 691           | 578           | (717)                                       | (682)           | (560)         | -  | -            | 64,133                                    | 64,335           |
| Shaping Our Future Together  | 3,146  | 3,409         | 15,555         | 3,639                               | 8,998         | 5,950         | (493)                                       | (5,589)         | 9,605         | 178  | 27           | 138,300                                   | 140,565          |
| <b>Total Functions &amp; Activities</b>  | <b>33,093</b>  | <b>50,980</b> | <b>72,494</b>  | <b>70,722</b>                       | <b>79,814</b> | <b>68,827</b> | <b>(37,629)</b>                             | <b>(28,834)</b> | <b>3,667</b>  | <b>5,752</b>   | <b>3,543</b> | <b>1,074,184</b>                          | <b>1,058,395</b> |
| Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method) | -  | 284           | 343            | -                                   | -             | -             | -   | 284             | 343           | -  | -            | 2,538                                     | 2,362            |
| General Purpose Income <sup>1</sup>  | 34,432   | 34,862        | 34,147         | -                                   | -             | -             | 34,432                                      | 34,862          | 34,147        | 4,529  | 4,690        | -   | -                |
| <b>Operating Result from Continuing Operations</b>                               | <b>67,525</b>  | <b>86,126</b> | <b>106,983</b> | <b>70,722</b>                       | <b>79,814</b> | <b>68,827</b> | <b>(3,198)</b>                              | <b>6,312</b>    | <b>38,156</b> | <b>10,281</b>  | <b>8,233</b> | <b>1,076,722</b>                          | <b>1,060,757</b> |

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

| <b>\$ '000</b>   | <b>Notes</b> | <b>Actual<br/>2016</b> | <b>Actual<br/>2015</b> |
|--|--------------|------------------------|------------------------|
| <b>(a) Rates &amp; Annual Charges</b>                                    |              |                        |                        |
| <b>Ordinary Rates</b>  |              |                        |                        |
| Residential  |              | 24,796                 | 23,968                 |
| Farmland   |              | 1,510                  | 1,304                  |
| Business   |              | 2,910                  | 2,822                  |
| <b>Total Ordinary Rates</b>  |              | <b>29,216</b>          | <b>28,094</b>          |
| <b>Special Rates</b>   |              |                        |                        |
| Nil  |              | -                      | -                      |
| <b>Total Special Rates</b>   |              | <b>-</b>               | <b>-</b>               |
| <b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |              |                        |                        |
| Domestic Waste Management Services                                       |              | 10,786                 | 9,697                  |
| Sewerage Services  |              | 5,382                  | 4,855                  |
| Waste Management Services (non-domestic)                                 |              | 1,176                  | 1,060                  |
| Section 611 Charges  |              | 25                     | 16                     |
| Sullage  |              | 1,285                  | 1,179                  |
| <b>Total Annual Charges</b>  |              | <b>18,654</b>          | <b>16,807</b>          |
| <b>TOTAL RATES &amp; ANNUAL CHARGES</b>                                  |              | <b>47,870</b>          | <b>44,901</b>          |

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

### Note 3. Income from Continuing Operations (continued)

| \$ '000  | Notes | Actual<br>2016 | Actual<br>2015 |
|--|-------|----------------|----------------|
| <b>(b) User Charges &amp; Fees</b>   |       |                |                |
| <b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)         |       |                |                |
| Sewerage Services  |       | 1,021          | 733            |
| Waste Management Services (non-domestic)   |       | 25             | 14             |
| Sullage  |       | 259            | 208            |
| <b>Total User Charges</b>  |       | <b>1,305</b>   | <b>955</b>     |
| <b>Other User Charges &amp; Fees</b>   |       |                |                |
| <b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608) |       |                |                |
| Planning & Building Regulation   |       | 1,316          | 1,343          |
| Regulatory/ Statutory Fees   |       | 516            | 518            |
| Registration Fees  |       | 4              | 3              |
| Section 149 Certificates (EPA Act)   |       | 252            | 252            |
| Section 603 Certificates   |       | 114            | 126            |
| SMF Inspection Fees  |       | 346            | 214            |
| <b>Total Fees &amp; Charges - Statutory/Regulatory</b>                           |       | <b>2,548</b>   | <b>2,456</b>   |
| <b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)  |       |                |                |
| Caravan Park   |       | 3              | 3              |
| Cemeteries   |       | 250            | 268            |
| Pound Income   |       | 740            | 762            |
| Leaseback Fees - Council Vehicles  |       | 294            | 283            |
| Library, Museum and Gallery Income   |       | 73             | 52             |
| Park Rents   |       | 150            | 142            |
| Restoration Charges  |       | 289            | 343            |
| Swimming Centre  |       | 201            | 186            |
| Vehicle Inspection Fees  |       | 15             | 21             |
| Waste Management Facility  |       | 748            | 669            |
| Other  |       | 26             | 31             |
| <b>Total Fees &amp; Charges - Other</b>  |       | <b>2,789</b>   | <b>2,760</b>   |
| <b>TOTAL USER CHARGES &amp; FEES</b>   |       | <b>6,642</b>   | <b>6,171</b>   |

### Note 3. Income from Continuing Operations (continued)

| \$ '000  | Notes | Actual<br>2016      | Actual<br>2015       |
|--|-------|---------------------|----------------------|
| <b>(c) Interest &amp; Investment Revenue (incl. losses)</b>                |       |                     |                      |
| <b>Interest &amp; Dividends</b>  |       |                     |                      |
| - Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates) |       | 219                 | 223                  |
| - Interest earned on Investments (interest & coupon payment income)        |       | 1,349               | 1,648                |
| <b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>                      |       | <b><u>1,568</u></b> | <b><u>1,871</u></b>  |
| <b>Interest Revenue is attributable to:</b>                                |       |                     |                      |
| <b>Unrestricted Investments/Financial Assets:</b>                          |       |                     |                      |
| Overdue Rates & Annual Charges (General Fund)                              |       | 196                 | 204                  |
| General Council Cash & Investments   |       | 901                 | 1,175                |
| <b>Restricted Investments/Funds - External:</b>                            |       |                     |                      |
| Development Contributions  |       |                     |                      |
| - Section 94   |       | 266                 | 280                  |
| - Section 64   |       | 3                   | 3                    |
| Sewerage Fund Operations   |       | 62                  | 48                   |
| Domestic Waste Management operations                                       |       | 15                  | 9                    |
| Stormwater Management  |       | 41                  | 44                   |
| Other Externally Restricted Assets   |       |                     | 125                  |
| <b>Restricted Investments/Funds - Internal:</b>                            |       |                     |                      |
| Internally Restricted Assets   |       | 84                  | (17)                 |
| <b><u>Total Interest &amp; Investment Revenue Recognised</u></b>           |       | <b><u>1,568</u></b> | <b><u>1,871</u></b>  |
| <b>(d) Other Revenues</b>  |       |                     |                      |
| Fair Value Adjustments - Investment Properties                             | 14    | -                   | 12,091               |
| Rental Income - Investment Properties                                      | 14    | 1,744               | 1,777                |
| Rental Income - Other Council Properties                                   |       | 395                 | 298                  |
| Fines - Parking  |       | 530                 | 636                  |
| Fines - Other  |       | 157                 | 153                  |
| Legal Fees Recovery - Rates & Charges (Extra Charges)                      |       | 157                 | 259                  |
| Legal Fees Recovery - Other  |       | 21                  | 14                   |
| Insurance Claim Recoveries   |       | 20                  | -                    |
| Recycling Income (non domestic)  |       | 51                  | 85                   |
| Sales - General  |       | 4                   | 4                    |
| GST Fuel Rebates   |       | 141                 | 114                  |
| NSW Rural Fire Reimbursement   |       | 220                 | 149                  |
| NSW SES Reimbursement  |       | 9                   | 8                    |
| Agricultural Income  |       | 12                  | 9                    |
| Nursery Income   |       | 37                  | 39                   |
| Private Works Printing Income  |       | 18                  | 19                   |
| External Income  |       | 68                  | 81                   |
| Vary LEP Applications  |       | 376                 | 106                  |
| Other  |       | 483                 | 414                  |
| <b><u>TOTAL OTHER REVENUE</u></b>  |       | <b><u>4,443</u></b> | <b><u>16,256</u></b> |

### Note 3. Income from Continuing Operations (continued)

| \$ '000   | 2016<br>Operating | 2015<br>Operating | 2016<br>Capital | 2015<br>Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Grants</b>                               |                   |                   |                 |                 |
| <b>General Purpose (Untied)</b>                 |                   |                   |                 |                 |
| Financial Assistance - General Component        | 2,575             | 2,720             |                 |                 |
| Financial Assistance - Local Roads Component    | 1,633             | 1,647             |                 |                 |
| Pensioners' Rates Subsidies - General Component | 321               | 323               |                 |                 |
| <b>Total General Purpose</b>                    | <b>4,529</b>      | <b>4,690</b>      | <b>-</b>        | <b>-</b>        |
| <b>Specific Purpose</b>                         |                   |                   |                 |                 |
| Pensioners' Rates Subsidies:                    |                   |                   |                 |                 |
| - Sewerage                                      | 41                | 40                | -               | -               |
| - Domestic Waste Management                     | 131               | 122               | -               | -               |
| Aged Care                                       | 55                | 54                | -               | -               |
| Clean Energy Future                             |                   | -                 | -               | -               |
| Community Care                                  | 129               | 63                | 50              | 40              |
| Environmental Protection                        | -                 | 87                | 54              | -               |
| Flood Restoration                               | 11                | 11                | 7               | 30              |
| Heritage & Cultural                             | 119               | 125               | -               | -               |
| Housing Community                               | -                 | -                 | -               | 221             |
| Library   | -                 | -                 | -               | -               |
| Library - per capita                            | 158               | 157               | -               | -               |
| Library - special projects                      | -                 | 16                | 145             | -               |
| LIRS Subsidy                                    | 160               | 177               | -               | -               |
| Noxious Weeds                                   | 96                | 250               | -               | -               |
| NSW Rural Fire Services                         | -                 | -                 | -               | 83              |
| Public Order & Safety                           | 101               | 69                | 731             | 40              |
| Recreation & Culture                            | -                 | 11                | -               | 31              |
| Street Lighting                                 | 158               | 155               | -               | -               |
| Traffic Route Subsidy                           | 10                | 11                | -               | -               |
| Transport (Roads to Recovery)                   | -                 | -                 | 2,204           | 777             |
| Transport (Other Roads & Bridges Funding)       | 619               | 687               | 773             | 286             |
| <b>Total Specific Purpose</b>                   | <b>1,788</b>      | <b>2,035</b>      | <b>3,964</b>    | <b>1,508</b>    |
| <b>Total Grants</b>                             | <b>6,317</b>      | <b>6,725</b>      | <b>3,964</b>    | <b>1,508</b>    |
| <b>Grant Revenue is attributable to:</b>        |                   |                   |                 |                 |
| - Commonwealth Funding                          | 4,304             | 4,462             | 2,314           | 817             |
| - State Funding                                 | 1,988             | 2,227             | 1,650           | 691             |
| - Other Funding                                 | 25                | 36                | -               | -               |
|   | <b>6,317</b>      | <b>6,725</b>      | <b>3,964</b>    | <b>1,508</b>    |

### Note 3. Income from Continuing Operations (continued)

| \$ '000  | 2016<br>Operating | 2015<br>Operating | 2016<br>Capital | 2015<br>Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(f) Contributions</b>   |                   |                   |                 |                 |
| <b>Developer Contributions:</b>  |                   |                   |                 |                 |
| <b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>   |                   |                   |                 |                 |
| S 94 - Contributions towards amenities/services  | -                 | -                 | 525             | 1,965           |
| S 94A - Fixed Development Consent Levies   | -                 | -                 | 701             | 814             |
| S 64 - Sewerage Service Contributions  | -                 | -                 | 451             | 326             |
| <b>Total Developer Contributions</b>   | <b>17</b>         | <b>-</b>          | <b>1,677</b>    | <b>3,105</b>    |
| <b>Other Contributions:</b>  |                   |                   |                 |                 |
| Bushfire Prevention  | 240               | 234               | -               | -               |
| Dedications (S94)  | -                 | -                 | 10,641          | 25,040          |
| Recreation and culture   | -                 | -                 | 276             | -               |
| Dedications (other than by S94)  | -                 | -                 | -               | 30              |
| Other Councils - Joint Works/Services  | 299               | 297               | -               | -               |
| Parks Contributions  | 3                 | 12                | -               | -               |
| Roads & Bridges  | 141               | -                 | 1,560           | 321             |
| Other  | 33                | 14                | 168             | 155             |
| <b>Total Other Contributions</b>   | <b>716</b>        | <b>557</b>        | <b>12,645</b>   | <b>25,546</b>   |
| <b>Total Contributions</b>   | <b>716</b>        | <b>557</b>        | <b>14,322</b>   | <b>28,651</b>   |
| <b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>  | <b>7,033</b>      | <b>7,282</b>      | <b>18,286</b>   | <b>30,159</b>   |
| <b>(g) Restrictions relating to Grants and Contributions</b>   |                   |                   |                 |                 |
|  |                   |                   | <b>2016</b>     | <b>2015</b>     |
| <b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b> |                   |                   |                 |                 |
| Unexpended at the Close of the Previous Reporting Period   |                   |                   | 7,445           | 10,899          |
| <b>add:</b> Grants & contributions recognised in the current period but not yet spent:                                   |                   |                   | 3,439           | 4,085           |
| <b>less:</b> Grants & contributions recognised in a previous reporting period now spent:                                 |                   |                   | (3,504)         | (7,539)         |
| <b>Net Increase (Decrease) in Restricted Assets during the Period</b>  |                   |                   | <b>(65)</b>     | <b>(3,454)</b>  |
| <b>Unexpended and held as Restricted Assets</b>  |                   |                   | <b>7,380</b>    | <b>7,445</b>    |
| <b>Comprising:</b>   |                   |                   |                 |                 |
| - Specific Purpose Unexpended Grants   |                   |                   | 1,494           | 698             |
| - Developer Contributions  |                   |                   | 5,886           | 6,747           |
|  |                   |                   | <b>7,380</b>    | <b>7,445</b>    |

## Note 4. Expenses from Continuing Operations

| \$ '000   | Notes | Actual<br>2016 | Actual<br>2015 |
|---|-------|----------------|----------------|
| <b>(a) Employee Benefits &amp; On-Costs</b>                               |       |                |                |
| Salaries and Wages  |       | 19,106         | 18,797         |
| Travelling  |       | 12             | 13             |
| Employee Leave Entitlements (ELE)   |       | 4,537          | 3,987          |
| Superannuation  |       | 2,519          | 2,440          |
| Workers' Compensation Insurance   |       | 523            | 96             |
| Fringe Benefit Tax (FBT)  |       | 109            | 125            |
| Payroll Tax   |       | 39             | 32             |
| Training Costs (other than Salaries & Wages)                              |       | 200            | 237            |
| Proctive clothing   |       | 46             | 68             |
| Other   |       | 15             | 14             |
| <b>Total Employee Costs</b>   |       | <b>27,106</b>  | <b>25,809</b>  |
| less: Capitalised Costs   |       | (614)          | (562)          |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>                                      |       | <b>26,492</b>  | <b>25,247</b>  |
| Number of "Equivalent Full Time" Employees at year end                    |       | 272            | 277            |
| Number of "Equivalent Full Time" Employees at year end (incl. vacancies)  |       | 291            | 288            |
| <b>(b) Borrowing Costs</b>  |       |                |                |
| <b>(i) Interest Bearing Liability Costs</b>                               |       |                |                |
| Interest on Loans   |       | 245            | 270            |
| <b>Total Interest Bearing Liability Costs Expensed</b>                    |       | <b>245</b>     | <b>270</b>     |
| <b>(ii) Other Borrowing Costs</b>   |       |                |                |
| Discount adjustments relating to movements in Provisions (other than ELE) |       |                |                |
| - Remediation Liabilities   | 26    | 45             | 43             |
| Interest applicable on Interest Free (& favourable) Loans to Council      |       |                |                |
| - * Unwinding of interest free loan from State Government                 |       | 108            | 126            |
| <b>Total Other Borrowing Costs</b>  |       | <b>153</b>     | <b>169</b>     |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                                     |       | <b>398</b>     | <b>439</b>     |

\* Unwinding of interest free loan calculation was based on discount rate of 6.5%



## Note 4. Expenses from Continuing Operations (continued)

| \$ '000   | Notes | Actual<br>2016 | Actual<br>2015 |
|---|-------|----------------|----------------|
| <b>(c) Materials &amp; Contracts</b>  |       |                |                |
| Raw Materials & Consumables   |       | 3,651          | 4,888          |
| Contractor & Consultancy Costs  |       |                |                |
| Roads, Parks and Buildings  |       | 4,118          | 4,599          |
| Other Contractors   |       | 732            | 436            |
| Cemeteries  |       | 76             | 65             |
| Community Services  |       | 910            | 870            |
| Waste Collection and Disposal   |       | 3,686          | 3,177          |
| Ferry Operation   |       | 468            | 468            |
| Informational Technology  |       | 237            | 63             |
| Sewer Services  |       | 2,628          | 2,440          |
| Auditors Remuneration <sup>(1)</sup>  |       | 69             | 64             |
| Legal Expenses:   |       |                |                |
| - Legal Expenses: Planning & Development  |       | 227            | 197            |
| - Legal Expenses: Debt Recovery   |       | 157            | 197            |
| - Legal Expenses: Other   |       | 123            | 72             |
| Operating Leases:   |       |                |                |
| - Operating Lease Rentals: Contingent Rentals <sup>(2)</sup>  |       | 549            | 428            |
| Other   |       | 204            | 277            |
| <b>TOTAL MATERIALS &amp; CONTRACTS</b>  |       | <b>17,835</b>  | <b>18,241</b>  |
| <b>1. Auditor Remuneration</b>  |       |                |                |
| During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities): |       |                |                |
| <b>(i) Audit and Other Assurance Services</b>   |       |                |                |
| - Audit & review of financial statements: Council's Auditor   |       | 61             | 56             |
| - Audit & review of financial statements: Other Consolidated Entity Auditors  |       | 8              | 8              |
| <b>Remuneration for audit and other assurance services</b>  |       | <b>69</b>      | <b>64</b>      |
| <b>(ii) Taxation Services</b>   |       |                |                |
| - Tax compliance services   |       | -              | -              |
| - GST Advice  |       | -              | -              |
| <b>Remuneration for taxation services</b>   |       | <b>-</b>       | <b>-</b>       |
| <b>(iii) Other Services</b>   |       |                |                |
| - Remuneration advice   |       | -              | -              |
| - Benchmarking advice   |       | -              | -              |
| <b>Remuneration for other services</b>  |       | <b>-</b>       | <b>-</b>       |
| <b>Total Auditor Remuneration</b>   |       | <b>69</b>      | <b>64</b>      |
| <b>2. Operating Lease Payments are attributable to:</b>   |       |                |                |
| Computers   |       | 397            | 442            |
| Motor Vehicles  |       | -              | -              |
| Other   |       | 152            | (14)           |
|   |       | <b>549</b>     | <b>428</b>     |

## Note 4. Expenses from Continuing Operations (continued)

| \$ '000   | Notes  | Impairment Costs |                | Depreciation/Amortisation |                |
|---|--------|------------------|----------------|---------------------------|----------------|
|   |        | Actual<br>2016   | Actual<br>2015 | Actual<br>2016            | Actual<br>2015 |
| (d) Depreciation, Amortisation & Impairment                   |        |                  |                |                           |                |
| Plant and Equipment   |        | -                | -              | 1,197                     | 1,343          |
| Office Equipment  |        | -                | -              | 253                       | 102            |
| Furniture & Fittings  |        | -                | -              | 42                        | 39             |
| Land Improvements (depreciable)                               |        | -                | -              | 112                       | 110            |
| Buildings - Non Specialised                                   |        | -                | -              | 765                       | 761            |
| Buildings - Specialised                                       |        | -                | -              | 3,483                     | 3,466          |
| Other Structures  |        | -                | -              | 519                       | 593            |
| Infrastructure:   |        |                  |                |                           |                |
| - Roads   |        | -                | -              | 5,626                     | 3,085          |
| - Bridges   |        | -                | -              | 461                       | 327            |
| - Footpaths   |        | -                | -              | 283                       | 184            |
| - Stormwater Drainage   |        | -                | -              | 1,839                     | 1,199          |
| - Sewerage Network  |        | -                | -              | 2,093                     | 1,617          |
| - Swimming Pools  |        | -                | -              | 59                        | 59             |
| Other Assets  |        |                  |                |                           |                |
| - Library Books   |        | -                | -              | 177                       | 129            |
| - Park Assets   |        | -                | -              | 1,090                     | 1,225          |
| Asset Reinstatement Costs                                     | 9 & 26 | -                | -              | 44                        | 172            |
| Intangible Assets   | 25     | -                | -              | 412                       | 240            |
| <b>TOTAL DEPRECIATION &amp;<br/>IMPAIRMENT COSTS EXPENSED</b> |        | <b>-</b>         | <b>-</b>       | <b>18,455</b>             | <b>14,651</b>  |

## Note 4. Expenses from Continuing Operations (continued)

| \$ '000  | Notes | Actual<br>2016       | Actual<br>2015       |
|--|-------|----------------------|----------------------|
| <b>(e) Other Expenses</b>  |       |                      |                      |
| Other Expenses for the year include the following:                         |       |                      |                      |
| Advertising  |       | 101                  | 113                  |
| Bad & Doubtful Debts   |       | 32                   | 3                    |
| Bank Charges   |       | 191                  | 191                  |
| Computer Software Charges  |       | 648                  | 637                  |
| - Bushfire Fighting Fund   |       | 866                  | 621                  |
| - Emergency Services Levy  |       | 109                  | 93                   |
| - NSW Fire Brigade Levy  |       | 144                  | 139                  |
| - Waste S88 EPA Contribution   |       | 3,239                | 2,821                |
| - Other Contributions/Levies   |       | 690                  | 572                  |
| Other Contributions/Regional Strategic Alliance                            |       | 40                   |                      |
| Councillor Expenses - Mayoral Fee  |       | 40                   | 39                   |
| Councillor Expenses - Councillors' Fees                                    |       | 221                  | 215                  |
| Councillors' Expenses (incl. Mayor) - Other (excluding fees above)         |       | 43                   | 62                   |
| Donations, Contributions & Assistance to other organisations (Section 356) |       | 108                  | 112                  |
| Electricity & Heating  |       | 775                  | 886                  |
| Fair value decrements - investment properties                              | 14    | 5,148                | -                    |
| Fire Control Expenses  |       | 151                  | 170                  |
| Gas  |       | 68                   | 48                   |
| Insurance  |       | 899                  | 973                  |
| Licences & Subscriptions   |       | 207                  | 186                  |
| Office Expenses (including computer expenses)                              |       | 39                   | 47                   |
| Postage  |       | 174                  | 152                  |
| Printing & Stationery  |       | 68                   | 70                   |
| Recycling Program  |       | 82                   | 116                  |
| Sewerage Treatment Works Operations  |       | 935                  | 610                  |
| Stormwater - Environmental   |       | 78                   | 45                   |
| Street Lighting  |       | 629                  | 691                  |
| Telephone & Communications   |       | 135                  | 170                  |
| Valuation Fees (Rates)   |       | 149                  | 148                  |
| Water  |       | 190                  | 178                  |
| Boundary Road contribution   |       | 44                   | -                    |
| Other  |       | 146                  | 131                  |
| <b><u>TOTAL OTHER EXPENSES</u></b>   |       | <b><u>16,389</u></b> | <b><u>10,240</u></b> |

## Note 5. Gains or Losses from the Disposal of Assets

| \$ '000  | Notes | Actual<br>2016 | Actual<br>2015 |
|--|-------|----------------|----------------|
| <b>Property</b> (excl. Investment Property)                          |       |                |                |
| Proceeds from Disposal - Property                                    |       | 662            | -              |
| less: Carrying Amount of Property Assets Sold / Written Off          |       | (381)          | -              |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>281</b>     | <b>-</b>       |
| <b>Plant &amp; Equipment</b>   |       |                |                |
| Proceeds from Disposal - Plant & Equipment                           |       | 964            | 1,105          |
| less: Carrying Amount of P&E Assets Sold / Written Off               |       | (1,095)        | (999)          |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>(131)</b>   | <b>106</b>     |
| <b>Infrastructure</b>  |       |                |                |
| Proceeds from Disposal - Infrastructure                              |       | 23             | 88             |
| less: Carrying Amount of Infrastructure Assets Sold / Written Off    |       | (250)          | (203)          |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>(227)</b>   | <b>(115)</b>   |
| <b>Financial Assets*</b>   |       |                |                |
| Proceeds from Disposal / Redemptions / Maturities - Financial Assets |       | 62,300         | 65,500         |
| less: Carrying Amount of Financial Assets Sold / Redeemed / Matured  |       | (62,300)       | (65,500)       |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>-</b>       | <b>-</b>       |
| <b>Investment Properties</b>   |       |                |                |
| Proceeds from disposal – investment properties                       |       | 167            | -              |
| Less: carrying amount of investment properties sold/written off      |       | (335)          | -              |
|  |       | <b>(168)</b>   | <b>-</b>       |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>                         |       | <b>(245)</b>   | <b>(9)</b>     |

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

| \$ '000  | Notes | 2016<br>Actual<br>Current | 2016<br>Actual<br>Non Current | 2015<br>Actual<br>Current | 2015<br>Actual<br>Non Current |
|--|-------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| <b>Cash &amp; Cash Equivalents (Note 6a)</b>                     |       |                           |                               |                           |                               |
| Cash on Hand and at Bank   |       | 933                       | -                             | 702                       | -                             |
| Cash-Equivalent Assets <sup>1</sup>                              |       |                           |                               |                           |                               |
| - Deposits at Call   |       | 4,300                     | -                             | 6,300                     | -                             |
| <b>Total Cash &amp; Cash Equivalents</b>                         |       | <b>5,233</b>              | <b>-</b>                      | <b>7,002</b>              | <b>-</b>                      |
| <b>Investments (Note 6b)</b>                                     |       |                           |                               |                           |                               |
| - Long Term Deposits   |       | 38,800                    | -                             | 38,800                    | -                             |
| <b>Total Investments</b>   |       | <b>38,800</b>             | <b>-</b>                      | <b>38,800</b>             | <b>-</b>                      |
| <b>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS &amp; INVESTMENTS</b> |       | <b>44,033</b>             | <b>-</b>                      | <b>45,802</b>             | <b>-</b>                      |

<sup>1</sup> 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

|  |  |              |          |              |          |
|--|--|--------------|----------|--------------|----------|
| a. "At Fair Value through the Profit & Loss" |  | <b>5,233</b> | <b>-</b> | <b>7,002</b> | <b>-</b> |
|--|--|--------------|----------|--------------|----------|

### Investments

|  |          |               |          |               |          |
|--|----------|---------------|----------|---------------|----------|
| a. "At Fair Value through the Profit & Loss" |          | -             | -        | -             | -        |
| b. "Held to Maturity"                        | 6(b-ii)  | 38,800        | -        | 38,800        | -        |
| c. "Loans & Receivables"                     | 6(b-iii) | -             | -        | -             | -        |
| d. "Available for Sale"                      | 6(b-iv)  | -             | -        | -             | -        |
| <b>Investments</b>                           |          | <b>38,800</b> | <b>-</b> | <b>38,800</b> | <b>-</b> |

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

### 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 | 38,800        | -        | 37,000        | -        |
| Additions                            | 62,300        | -        | 67,300        | -        |
| Disposals (sales & redemptions)      | (62,300)      | -        | (65,500)      | -        |
| <b>Balance at End of Year</b>        | <b>38,800</b> | <b>-</b> | <b>38,800</b> | <b>-</b> |

#### Comprising:

|                      |               |          |               |          |
|----------------------|---------------|----------|---------------|----------|
| - Long Term Deposits | 38,800        | -        | 38,800        | -        |
| <b>Total</b>         | <b>38,800</b> | <b>-</b> | <b>38,800</b> | <b>-</b> |

### Note 6(b-iii)

#### Reconciliation of Investments classified as "Loans & Receivables"

Nil

### Note 6(b-iv)

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

| \$ '000                                      | 2016<br>Actual<br>Current | 2016<br>Actual<br>Non Current | 2015<br>Actual<br>Current | 2015<br>Actual<br>Non Current |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| Total Cash, Cash Equivalents and Investments | 44,033                    | -                             | 45,802                    | -                             |
| <b>attributable to:</b>                      |                           |                               |                           |                               |
| External Restrictions (refer below)          | 13,757                    | -                             | 13,830                    | -                             |
| Internal Restrictions (refer below)          | 23,094                    | -                             | 24,362                    | -                             |
| Unrestricted                                 | 7,182                     | -                             | 7,610                     | -                             |
|  | <b>44,033</b>             | <b>-</b>                      | <b>45,802</b>             | <b>-</b>                      |

| 2016<br>\$ '000 | Opening<br>Balance | Transfers to<br>Restrictions | Transfers from<br>Restrictions | Closing<br>Balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

### Details of Restrictions

#### External Restrictions - Included in Liabilities

|  |              |          |              |              |
|--|--------------|----------|--------------|--------------|
| Specific Purpose Unexpended Loans- LIRS                | 2,357        | -        | (410)        | 1,947        |
| <b>External Restrictions - Included in Liabilities</b> | <b>2,357</b> | <b>-</b> | <b>(410)</b> | <b>1,947</b> |

#### External Restrictions - Other

|   |               |               |                 |               |
|---|---------------|---------------|-----------------|---------------|
| Developer Contributions (D)                   | 6,747         | 1,946         | (2,808)         | 5,886         |
| Specific Purpose Unexpended Grants (F)        | 698           | 1,164         | (698)           | 1,164         |
| Specific Purpose Unexpended Grants (F)        | -             | 335           | (5)             | 330           |
| Specific Purpose Unexpended Contributions (F) | 487           | 2,581         | (2,404)         | 664           |
| Sewerage Services (G)                         | 1,366         | 8,775         | (8,679)         | 1,462         |
| Domestic Waste Management (G)                 | 366           | 11,956        | (11,692)        | 630           |
| Stormwater Management (G)                     | 1,809         | 41            | (176)           | 1,674         |
| <b>External Restrictions - Other</b>          | <b>11,473</b> | <b>26,798</b> | <b>(26,462)</b> | <b>11,810</b> |
| <b>Total External Restrictions</b>            | <b>13,830</b> | <b>26,798</b> | <b>(26,872)</b> | <b>13,757</b> |



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

| 2016<br>\$ '000                    | Opening<br>Balance | Transfers to<br>Restrictions | Transfers from<br>Restrictions | Closing<br>Balance |
|------------------------------------|--------------------|------------------------------|--------------------------------|--------------------|
| <b>Internal Restrictions</b>       |                    |                              |                                |                    |
| Employees Leave Entitlement        | 1,505              | -                            | (40)                           | 1,465              |
| Election                           | 300                | 78                           | -                              | 378                |
| Heritage                           | 172                | -                            | (16)                           | 156                |
| Information Technology             | 706                | -                            | (208)                          | 498                |
| Risk Management                    | 231                | -                            | -                              | 231                |
| Tip Remediation and Sullage        | 10,450             | 9,959                        | (8,135)                        | 12,274             |
| Unexpended Contributions           | 312                | -                            | (100)                          | 212                |
| Unspent Work Reserve/Property      | 8,100              | 6,413                        | (8,591)                        | 5,922              |
| Workers Compensation               | 1,064              | -                            | (265)                          | 799                |
| Contingency                        | 796                | -                            | (195)                          | 601                |
| Legal                              | 249                | 50                           | (50)                           | 249                |
| Infrastructure Projects            | 408                | 70                           | (206)                          | 272                |
| Energy Efficiency                  | 67                 | -                            | (30)                           | 37                 |
| <b>Total Internal Restrictions</b> | <b>24,360</b>      | <b>16,570</b>                | <b>(17,836)</b>                | <b>23,094</b>      |
| <b>TOTAL RESTRICTIONS</b>          | <b>38,190</b>      | <b>43,368</b>                | <b>(44,708)</b>                | <b>36,851</b>      |

- 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 | 2016         |              | 2015         |             |
|---|-------|--------------|--------------|--------------|-------------|
|   |       | Current      | Non Current  | Current      | Non Current |
| <b>Purpose</b>                                      |       |              |              |              |             |
| Rates & Annual Charges                              |       | 1,709        | 855          | 1,652        | 791         |
| Interest & Extra Charges                            |       | 97           | 106          | 116          | 94          |
| User Charges & Fees                                 |       | 2,307        | 90           | 1,683        | 40          |
| Private Works                                       |       | (13)         | -            | -            | -           |
| Accrued Revenues                                    |       |              |              |              |             |
| - Interest on Investments                           |       | 449          | -            | 587          | -           |
| Government Grants & Subsidies                       |       | 1,516        | -            | 206          | -           |
| Net GST Receivable                                  |       | 651          | -            | 367          | -           |
| <b>Total</b>  |       | <b>6,716</b> | <b>1,051</b> | <b>4,611</b> | <b>925</b>  |
| <b>less: Provision for Impairment</b>               |       |              |              |              |             |
| User Charges & Fees                                 |       | (117)        | -            | (94)         | -           |
| <b>Total Provision for Impairment - Receivables</b> |       | <b>(117)</b> | <b>-</b>     | <b>(94)</b>  | <b>-</b>    |
| <b><u>TOTAL NET RECEIVABLES</u></b>                 |       |              |              |              |             |
|   |       | <b>6,599</b> | <b>1,051</b> | <b>4,517</b> | <b>925</b>  |
| <b>Externally Restricted Receivables</b>            |       |              |              |              |             |
| <b>Sewerage Services</b>                            |       |              |              |              |             |
| - Rates & Availability Charges                      |       | 409          | -            | 259          | -           |
| <b>Domestic Waste Management</b>                    |       | <b>578</b>   | <b>-</b>     | <b>540</b>   | <b>-</b>    |
| <b>Total External Restrictions</b>                  |       | <b>987</b>   | <b>-</b>     | <b>799</b>   | <b>-</b>    |
| <b>Internally Restricted Receivables</b>            |       |              |              |              |             |
| Nil   |       |              |              |              |             |
| <b>Internally Restricted Receivables</b>            |       | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>    |
| <b>Unrestricted Receivables</b>                     |       | <b>5,612</b> | <b>1,051</b> | <b>3,718</b> | <b>925</b>  |
| <b>TOTAL NET RECEIVABLES</b>                        |       | <b>6,599</b> | <b>1,051</b> | <b>4,517</b> | <b>925</b>  |

### 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 8.50% (2015 8.50%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Note 8. Inventories & Other Assets

| \$ '000   | Notes | 2016         |             | 2015         |             |
|---|-------|--------------|-------------|--------------|-------------|
|   |       | Current      | Non Current | Current      | Non Current |
| <b>Inventories</b>  |       |              |             |              |             |
| Stores & Materials  |       | 249          | -           | 275          | -           |
| Trading Stock   |       | 181          | -           | 63           | -           |
| <b>Total Inventories</b>                                  |       | <b>430</b>   | <b>-</b>    | <b>338</b>   | <b>-</b>    |
| <b>Other Assets</b>                                       |       |              |             |              |             |
| Prepayments   |       | 836          | -           | 738          | -           |
| <b>Total Other Assets</b>                                 |       | <b>836</b>   | <b>-</b>    | <b>738</b>   | <b>-</b>    |
| <b>TOTAL INVENTORIES / OTHER ASSETS</b>                   |       | <b>1,266</b> | <b>-</b>    | <b>1,076</b> | <b>-</b>    |
| <b>Externally Restricted Assets</b>                       |       |              |             |              |             |
| There are no restrictions applicable to the above assets. |       |              |             |              |             |
| <b>Total Unrestricted Assets</b>                          |       | <b>1,266</b> | <b>-</b>    | <b>1,076</b> | <b>-</b>    |
| <b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>               |       | <b>1,266</b> | <b>-</b>    | <b>1,076</b> | <b>-</b>    |

## Note 9a. Infrastructure, Property, Plant & Equipment

|  | as at 30/6/2015 |                  |                   |                | Asset Movements during the Reporting Period |                             |                      |                         |                              |                                    |               |                                       |  | as at 30/6/2016 |                  |                   |                |
|--|-----------------|------------------|-------------------|----------------|---|-----------------------------|----------------------|-------------------------|------------------------------|------------------------------------|---------------|---------------------------------------|--|-----------------|------------------|-------------------|----------------|
|  | At Cost         | At Fair Value    | Accumulated Dep'n | Carrying Value | Additions Renewals                          | Carrying Value of Disposals | Depreciation Expense | Adjustments & Transfers | Previous year Capitalisation | Adjustments to PY Period Movements | WIP Write Off | WIP Transfer to Investment Properties | Revaluation Increments to Equity (ARR) | At Cost         | At Fair Value    | Accumulated Dep'n | Carrying Value |
| <b>\$ '000</b>   |                 |                  |                   |                |   |                             |                      |                         |                              |                                    |               |                                       |  |                 |                  |                   |                |
| Capital Work in Progress   | 20,136          | -                | -                 | 20,136         | 4,140                                       | -                           | -                    | -                       | (14,581)                     | (33)                               | (207)         | (15)                                  | -                                      | 9,439           | -                | -                 | 9,439          |
| Plant & Equipment  | -               | 14,293           | 6,339             | 7,954          | 2,716                                       | (939)                       | (1,197)              | -                       | 24                           | -                                  | -             | -                                     | -                                      | -               | 15,239           | 6,681             | 8,558          |
| Office Equipment   | -               | 2,467            | 1,984             | 483            | 46  | -                           | (253)                | -                       | 270                          | -                                  | -             | -                                     | -                                      | -               | 2,535            | 1,989             | 546            |
| Furniture & Fittings   | -               | 1,791            | 1,540             | 251            | 28  | -                           | (42)                 | -                       | -                            | -                                  | -             | -                                     | -                                      | -               | 1,819            | 1,582             | 237            |
| <b>Land:</b>   |                 |                  |                   |                |   |                             |                      |                         |                              |                                    |               |                                       |  |                 |                  |                   |                |
| - Operational Land   | -               | 92,266           | -                 | 92,266         | -   | (381)                       | -                    | 316                     | -                            | -                                  | -             | -                                     | -                                      | -               | 92,201           | -                 | 92,201         |
| - Community Land   | -               | 70,454           | -                 | 70,454         | 15  | -                           | -                    | (316)                   | 20                           | (2,485)                            | -             | -                                     | 12,006                                 | -               | 79,694           | -                 | 79,694         |
| - Land under Roads (post 30/6/08)  | -               | 60,289           | -                 | 60,289         | 5,598                                       | -                           | -                    | -                       | -                            | -                                  | -             | -                                     | -                                      | -               | 65,887           | -                 | 65,887         |
| Land Improvements - non depreciable  | -               | 923              | -                 | 923            | 46  | -                           | -                    | -                       | 17                           | -                                  | -             | -                                     | -                                      | -               | 986              | -                 | 986            |
| Land Improvements - depreciable  | -               | 5,635            | 4,893             | 742            | 131   | -                           | (112)                | -                       | -                            | -                                  | -             | -                                     | -                                      | -               | 5,765            | 5,004             | 761            |
| Buildings - Non Specialised  | -               | 47,092           | 20,558            | 26,534         | 764   | (19)                        | (765)                | -                       | 524                          | (6)                                | -             | -                                     | -                                      | -               | 48,355           | 21,323            | 27,032         |
| Buildings - Specialised  | -               | 91,413           | 39,906            | 51,507         | 1,484                                       | (37)                        | (3,483)              | -                       | 1,017                        | (11)                               | -             | -                                     | -                                      | -               | 93,866           | 43,389            | 50,477         |
| Other Structures   | -               | 25,527           | 15,242            | 10,285         | 687   | (51)                        | (519)                | 7                       | 201                          | (12)                               | -             | -                                     | -                                      | -               | 26,359           | 15,761            | 10,598         |
| <b>Infrastructure:</b>   |                 |                  |                   |                |   |                             |                      |                         |                              |                                    |               |                                       |  |                 |                  |                   |                |
| - Roads  | -               | 509,929          | 166,141           | 343,788        | 7,678                                       | -                           | (5,626)              | -                       | 4,073                        | -                                  | -             | -                                     | -                                      | -               | 521,679          | 171,766           | 349,913        |
| - Bridges  | -               | 44,894           | 15,021            | 29,873         | 301   | (17)                        | (461)                | -                       | 410                          | -                                  | -             | -                                     | 133                                    | -               | 45,569           | 15,330            | 30,239         |
| - Footpaths  | -               | 19,448           | 9,428             | 10,020         | 370   | -                           | (283)                | -                       | 109                          | -                                  | -             | -                                     | -                                      | -               | 19,928           | 9,712             | 10,216         |
| - Stormwater Drainage  | -               | 184,688          | 59,920            | 124,767        | 3,728                                       | -                           | (1,839)              | -                       | 8,523                        | -                                  | -             | -                                     | -                                      | -               | 196,941          | 61,761            | 135,180        |
| - Sewerage Network   | -               | 161,981          | 82,256            | 79,725         | 155   | (13)                        | (2,093)              | -                       | -                            | -                                  | -             | -                                     | 1,584                                  | -               | 164,969          | 85,611            | 79,358         |
| - Swimming Pools   | -               | 3,313            | 2,150             | 1,163          | -   | -                           | (59)                 | -                       | -                            | -                                  | -             | -                                     | -                                      | -               | 3,313            | 2,209             | 1,104          |
| <b>Other Assets:</b>   |                 |                  |                   |                |   |                             |                      |                         |                              |                                    |               |                                       |  |                 |                  |                   |                |
| - Heritage Collections   | -               | 944              | -                 | 944            | -   | -                           | -                    | -                       | -                            | -                                  | -             | -                                     | -                                      | -               | 944              | -                 | 944            |
| - Library Books  | -               | 3,636            | 3,030             | 606            | 295   | (68)                        | (177)                | -                       | -                            | -                                  | -             | -                                     | -                                      | -               | 3,403            | 2,747             | 656            |
| - Park Asset   | -               | 56,829           | 31,799            | 25,030         | 504   | (201)                       | (1,090)              | (7)                     | 275                          | (23)                               | -             | -                                     | -                                      | -               | 56,462           | 31,974            | 24,488         |
| <b>Reinstatement, Rehabilitation &amp; Restoration Assets (refer Note 26):</b> |                 |                  |                   |                |   |                             |                      |                         |                              |                                    |               |                                       |  |                 |                  |                   |                |
| - Tip Assets   | -               | 1,698            | 1,084             | 614            | -   | -                           | (44)                 | -                       | (882)                        | 907                                | -             | -                                     | -                                      | -               | 1,046            | 451               | 595            |
| <b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>                      | <b>20,136</b>   | <b>1,399,510</b> | <b>461,292</b>    | <b>958,354</b> | <b>28,686</b>                               | <b>(1,726)</b>              | <b>(18,043)</b>      | <b>-</b>                | <b>-</b>                     | <b>(1,663)</b>                     | <b>(207)</b>  | <b>(15)</b>                           | <b>13,723</b>                          | <b>9,439</b>    | <b>1,446,960</b> | <b>477,290</b>    | <b>979,109</b> |

Buildings & Infrastructure Assets Renewals amount to \$10,264

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

| Class of Asset                     | Actual<br>2016 |                  |                      |                   | Actual<br>2015 |                  |                      |                   |
|------------------------------------|----------------|------------------|----------------------|-------------------|----------------|------------------|----------------------|-------------------|
|                                    | At<br>Cost     | At<br>Fair Value | A/Dep &<br>Impairm't | Carrying<br>Value | At<br>Cost     | At<br>Fair Value | A/Dep &<br>Impairm't | Carrying<br>Value |
| <b>Sewerage Services</b>           |                |                  |                      |                   |                |                  |                      |                   |
| WIP                                | -              | 342              | -                    | 342               | -              | 141              | -                    | 141               |
| Plant & Equipment                  | -              | 790              | 217                  | 573               | -              | 754              | 187                  | 567               |
| Office Equipment                   | -              | 241              | 93                   | 148               | -              | 239              | 85                   | 154               |
| Furniture and Fittings             | -              | 2                | -                    | 2                 | -              | -                | -                    | -                 |
| Land                               |                |                  |                      |                   |                |                  |                      |                   |
| - Operational Land                 | -              | 2,225            | -                    | 2,225             | -              | 2,225            | -                    | 2,225             |
| - Community Land                   | -              | 7                | -                    | 7                 | -              | 7                | -                    | 7                 |
| Buildings                          | -              | 938              | 596                  | 342               | -              | 919              | 569                  | 350               |
| Other Structures                   | -              | 334              | 148                  | 186               | -              | 334              | 135                  | 199               |
| Infrastructure                     | -              | 164,969          | 85,612               | 79,357            | -              | 161,981          | 82,256               | 79,725            |
| Other asset                        | -              | 75               | 6                    | 69                | -              | -                | -                    | -                 |
| <b>Total Sewerage Services</b>     | -              | 169,923          | 86,672               | 83,251            | -              | 166,600          | 83,232               | 83,368            |
| <b>Domestic Waste Management</b>   |                |                  |                      |                   |                |                  |                      |                   |
| Plant & Equipment                  | -              | 1,984            | 947                  | 1,037             | -              | 1,872            | 1,084                | 788               |
| Park Asset                         | -              | 287              | 263                  | 24                | -              | 578              | 520                  | 58                |
| <b>Total DWM</b>                   | -              | 2,271            | 1,210                | 1,061             | -              | 2,450            | 1,604                | 846               |
|                                    |                |                  |                      |                   |                |                  |                      |                   |
| <b>TOTAL RESTRICTED I,PP&amp;E</b> | -              | 172,194          | 87,882               | 84,312            | -              | 169,050          | 84,836               | 84,214            |



#### 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 | 2016          |              | 2015          |              |
|--|-------|---------------|--------------|---------------|--------------|
|  |       | Current       | Non Current  | Current       | Non Current  |
| <b>Payables</b>                                    |       |               |              |               |              |
| Goods & Services - operating expenditure           |       | 4,263         | -            | 5,036         | -            |
| Accrued Expenses                                   |       | 910           | -            | 837           | -            |
| Security Bonds, Deposits & Retentions              |       | 2,794         | -            | 3,043         | -            |
| <b>Total Payables</b>                              |       | <b>7,967</b>  | <b>-</b>     | <b>8,916</b>  | <b>-</b>     |
| <b>Borrowings</b>                                  |       |               |              |               |              |
| Loans - Secured <sup>1</sup>                       |       | 400           | 970          | 400           | 1,262        |
| Other Loan   |       | 450           | 3,536        | 425           | 4,010        |
| <b>Total Borrowings</b>                            |       | <b>850</b>    | <b>4,506</b> | <b>825</b>    | <b>5,272</b> |
| <b>Provisions</b>                                  |       |               |              |               |              |
| <b>Employee Benefits;</b>                          |       |               |              |               |              |
| Annual Leave                                       |       | 2,270         | -            | 2,179         | -            |
| Sick Leave   |       | 615           | -            | 655           | -            |
| Long Service Leave                                 |       | 5,541         | 857          | 5,353         | 758          |
| Leave in Lieu                                      |       | 303           | -            | 252           | -            |
| <b>Sub Total - Aggregate Employee Benefits</b>     |       | <b>8,729</b>  | <b>857</b>   | <b>8,439</b>  | <b>758</b>   |
| Self Insurance - Workers Compensation              |       | 83            | 528          | 75            | 265          |
| Asset Remediation/Restoration (Future Works)       | 26    | -             | 1,529        | -             | 2,717        |
| <b>Total Provisions</b>                            |       | <b>8,812</b>  | <b>2,914</b> | <b>8,514</b>  | <b>3,740</b> |
| <b>Total Payables, Borrowings &amp; Provisions</b> |       |               |              |               |              |
|  |       | <b>17,629</b> | <b>7,420</b> | <b>18,255</b> | <b>9,012</b> |

### (i) Liabilities relating to Restricted Assets

|   | 2016          |              | 2015          |              |
|---|---------------|--------------|---------------|--------------|
|   | Current       | Non Current  | Current       | Non Current  |
| <b>Externally Restricted Assets</b>                         |               |              |               |              |
| Sewer   | 396           | 1,320        | 283           | 1,770        |
| Domestic Waste Management                                   | 218           | 108          | 258           | 86           |
| Loan - LIRS   | 484           | 3,502        | 425           | 4,010        |
| <b>Liabilities relating to externally restricted assets</b> | <b>1,098</b>  | <b>4,930</b> | <b>966</b>    | <b>5,866</b> |
| <b>Internally Restricted Assets</b>                         |               |              |               |              |
| Nil   |               |              |               |              |
| <b>Total Liabilities relating to restricted assets</b>      | <b>1,098</b>  | <b>4,930</b> | <b>966</b>    | <b>5,866</b> |
| <b>Total Liabilities relating to Unrestricted Assets</b>    | <b>16,531</b> | <b>2,490</b> | <b>17,289</b> | <b>3,146</b> |
| <b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>          | <b>17,629</b> | <b>7,420</b> | <b>18,255</b> | <b>9,012</b> |

### (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.

|  | Actual<br>2016 | Actual<br>2015 |
|--|----------------|----------------|
| Provisions - Employees Benefits                  | 6,081          | 5,897          |
| Payables - Security Bonds, Deposits & Retentions | 236            | 1,054          |
|  | <b>6,317</b>   | <b>6,951</b>   |

<sup>1</sup>. 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

| Class of Provision | 2015                            |                          | 2016                     |                                  |
|--------------------|---------------------------------|--------------------------|--------------------------|----------------------------------|
|                    | 2015 Opening<br>Balance 1/07/15 | Additional<br>Provisions | Increase in<br>provision | Closing Balance as<br>at 30/6/16 |
| Annual Leave       | 2,179                           | 91                       | -                        | 2,270                            |
| Sick Leave         | 655                             | (40)                     | -                        | 615                              |
| Long Service Leave | 6,111                           | 287                      | -                        | 6,398                            |
| Other Leave (RDO)  | 252                             | 51                       | -                        | 303                              |
| Self Insurance     | 340                             | 542                      | (271)                    | 611                              |
| Asset Remediation  | 2,717                           | (1,143)                  | (45)                     | 1,529                            |
| <b>TOTAL</b>       | <b>12,254</b>                   | <b>(212)</b>             | <b>(316)</b>             | <b>11,726</b>                    |

- a. Employees leave entitlements and 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<br>2016 | Actual<br>2015 |
|--|-------|----------------|----------------|
| <b>(a) Reconciliation of Cash Assets</b>   |       |                |                |
| Total Cash & Cash Equivalent Assets  | 6a    | 5,233          | 7,002          |
| Less Bank Overdraft  | 10    | -              | -              |
| <b>BALANCE as per the STATEMENT of CASH FLOWS</b>  |       | <b>5,233</b>   | <b>7,002</b>   |
| <b>(b) Reconciliation of Net Operating Result<br/>to Cash provided from Operating Activities</b> |       |                |                |
| <b>Net Operating Result from Income Statement</b>  |       | <b>6,312</b>   | <b>38,156</b>  |
| Adjust for non cash items:   |       |                |                |
| Depreciation & Amortisation  |       | 18,455         | 14,651         |
| Net Losses/(Gains) on Disposal of Assets   |       | 245            | 9              |
| Non Cash Capital Grants and Contributions  |       | (10,642)       | (25,070)       |
| Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:                         |       |                |                |
| - Investment Properties  |       | 5,148          | (12,091)       |
| - Unwinding of Interest Free Loan  |       | 108            | 126            |
| Unwinding of Discount Rates on Reinstatement Provisions  |       | 45             | 43             |
| Share of Net (Profits) or Losses of Associates/Joint Ventures                                    |       | (176)          | (343)          |
| <b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>                  |       |                |                |
| Decrease/(Increase) in Receivables   |       | (2,231)        | 1,016          |
| Increase/(decrease) in provision for doubtful debts  |       | 23             |                |
| Decrease/(Increase) in Inventories   |       | (92)           | (29)           |
| Decrease/(Increase) in Other Assets  |       | (98)           | (35)           |
| Increase/(Decrease) in Payables  |       | (773)          | 1,257          |
| Increase/(Decrease) in Other Accrued Expenses Payable  |       | 73             | -              |
| Increase/(Decrease) in Other Liabilities   |       | (249)          | 1,282          |
| Increase/(Decrease) in Employee Leave Entitlements   |       | 389            | 895            |
| Increase/(Decrease) in Other Provisions  |       | (1,193)        | (943)          |
| <b>NET CASH PROVIDED FROM/(USED IN)</b>  |       | <b>15,344</b>  | <b>18,924</b>  |
| <b>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>                                     |       | <b>15,344</b>  | <b>18,924</b>  |

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

| \$ '000  | Notes | Actual<br>2016 | Actual<br>2015 |
|--|-------|----------------|----------------|
| <b>(c) Non-Cash Investing &amp; Financing Activities</b>   |       |                |                |
| Dedicated Contributions                                    |       | 10,493         | 25,040         |
| Other Non Cash Items                                       |       | 149            | 30             |
| <b>Total Non-Cash Investing &amp; Financing Activities</b> |       | <b>10,642</b>  | <b>25,070</b>  |

## (d) Financing Arrangements

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

|  |  |              |              |
|--|--|--------------|--------------|
| Bank Overdraft Facilities <sup>(1)</sup> |  | 800          | 800          |
| Credit Cards / Purchase Cards            |  | 308          | 500          |
| <b>Total Financing Arrangements</b>      |  | <b>1,108</b> | <b>1,300</b> |

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

### (ii) Secured Loan Liabilities

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

## (e) Bank Guarantees

Council holds a number of Bank Guarantees relating to outstanding works and services.

## (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<br>2016 | Actual<br>2015 |
|--|-------|----------------|----------------|
| <b>(a) Capital Commitments (exclusive of GST)</b>  |       |                |                |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |       |                |                |
| <b>Property, Plant &amp; Equipment</b>   |       |                |                |
| Buildings  |       | 1,675          | 56             |
| Property, Plant & Equipment  |       | 228            | 2,450          |
| <b>Total Commitments</b>   |       | <b>1,903</b>   | <b>2,506</b>   |
| <b>These expenditures are payable as follows:</b>  |       |                |                |
| Within the next year   |       | 1,697          | 2,506          |
| Later than one year and not later than 5 years   |       | 201            |                |
| Later than 5 years   |       | 5              |                |
| <b>Total Payable</b>   |       | <b>1,903</b>   | <b>2,506</b>   |
| <b>Sources for Funding of Capital Commitments:</b>   |       |                |                |
| Unrestricted General Funds   |       | 1,009          | 708            |
| Unexpended Grants  |       | -              | 297            |
| Externally Restricted Reserves   |       | 9              | 1,116          |
| Internally Restricted Reserves   |       | 885            | 385            |
| <b>Total Sources of Funding</b>  |       | <b>1,903</b>   | <b>2,506</b>   |

### (b) Finance Lease Commitments

Nil

### (c) Operating Lease Commitments (Non Cancellable)

#### a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

|  |              |              |
|--|--------------|--------------|
| Within the next year                                     | 654          | 505          |
| Later than one year and not later than 5 years           | 1,636        | 726          |
| Later than 5 years                                       | -            | 14           |
| <b>Total Non Cancellable Operating Lease Commitments</b> | <b>2,290</b> | <b>1,245</b> |

#### 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.

#### 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 Joint Operations, refer to Note 19 (c)

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

| \$ '000  | Amounts<br>2016 | Indicator<br>2016 | Prior Periods<br>20152014 |         |
|--|-----------------|-------------------|---------------------------|---------|
| Local Government Industry Indicators - Consolidated  |                 |                   |                           |         |
| 1. Operating Performance Ratio   |                 |                   |                           |         |
| Total continuing operating revenue <sup>(1)</sup><br>(excl. Capital Grants & Contributions) - Operating Expenses           | (6,865)         | -10.16%           | -6.88%                    | -11.53% |
| Total continuing operating revenue <sup>(1)</sup><br>(excl. Capital Grants & Contributions)                                | 67,556          |                   |                           |         |
| 2. Own Source Operating Revenue Ratio  |                 |                   |                           |         |
| Total continuing operating revenue <sup>(1)</sup><br>(less ALL Grants & Contributions)                                     | 60,523          | 70.51%            | 60.40%                    | 69.10%  |
| Total continuing operating revenue <sup>(1)</sup>  | 85,842          |                   |                           |         |
| 3. Unrestricted Current Ratio  |                 |                   |                           |         |
| Current Assets less all External Restrictions <sup>(2)</sup>   | 43,182          | 4.23              | 3.56                      | 3.88    |
| Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>  | 10,214          |                   |                           |         |
| 4. Debt Service Cover Ratio  |                 |                   |                           |         |
| Operating Result <sup>(1)</sup> before capital excluding interest<br>and depreciation / impairment / amortisation (EBITDA) | 11,988          | 9.61              | 8.44                      | 5.78    |
| Principal Repayments (from the Statement of Cash Flows)<br>+ Borrowing Interest Costs (from the Income Statement)          | 1,247           |                   |                           |         |
| 5. Rates, Annual Charges, Interest &<br>Extra Charges Outstanding Percentage   |                 |                   |                           |         |
| Rates, Annual and Extra Charges Outstanding  | 2,767           | 5.44%             | 5.52%                     | 5.82%   |
| Rates, Annual and Extra Charges Collectible  | 50,899          |                   |                           |         |
| 6. Cash Expense Cover Ratio  |                 |                   |                           |         |
| Current Year's Cash and Cash Equivalents<br>including All Term Deposits  | 44,033          | 8.40              | 9.52                      | 9.02    |
| Payments from cash flow of operating and<br>financing activities   | 5,245           |                   |                           |         |

### Notes

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

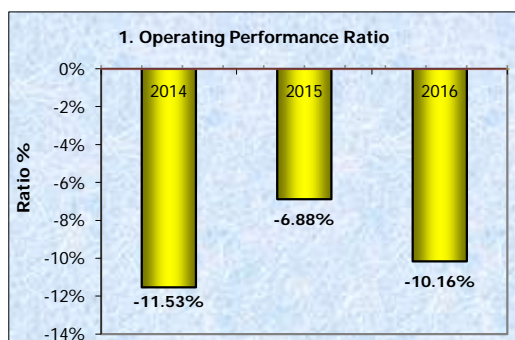
<sup>(2)</sup> Refer Notes 6-8 inclusive.  
Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

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

<sup>(4)</sup> Refer to Note 10(a)(ii) - excludes all payables & 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

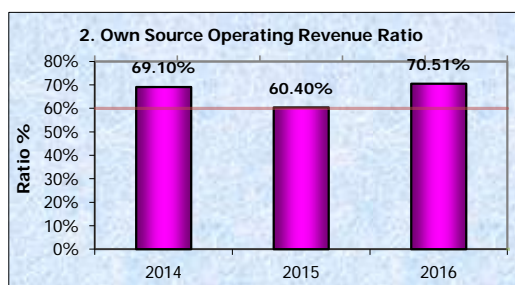
### Purpose of Operating Performance Ratio

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

### Commentary on 2015/16 Result

**2015/16 Ratio -10.16%**

Ratio declined as a result of increases in depreciation as a result of a developer contributed assets and due to the infrastructure revaluation conducted last financial year.  
Ratio needs improvement.



Source for Benchmark: Code of Accounting Practice and Financial Reporting

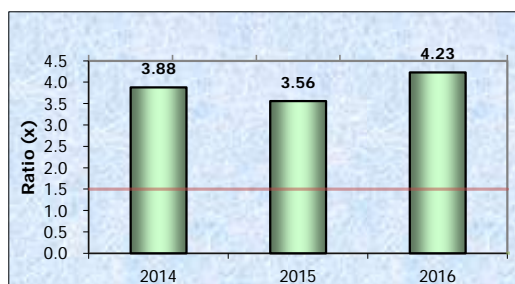
### Purpose of Own Source Operating Revenue Ratio

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

### Commentary on 2015/16 Result

**2015/16 Ratio 70.51%**

Ratio increased due to a 58% decrease in dedication of assets from developer contributions, as a result of the slowing of the Pitt Town development.  
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 2015/16 Result

**2015/16 Ratio 4.23x**

Ratio increased as the current liabilities decreased by more than the increase in current assets.  
Ratio is better than benchmark.

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



— Minimum 2.00%

Source for Benchmark: NSW Treasury Corporation

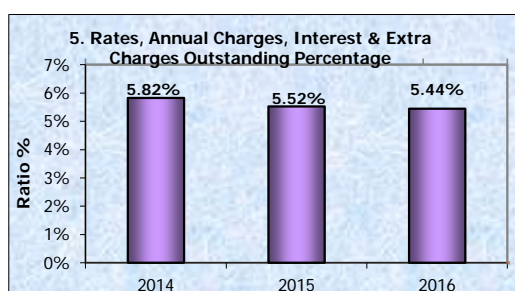
### Purpose of Debt Service Cover Ratio

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

### Commentary on 2015/16 Result

2015/16 Ratio 9.61x

Ratio increased due to an increase over the prior year in available cash to service debt costs.  
Ratio is better than benchmark.



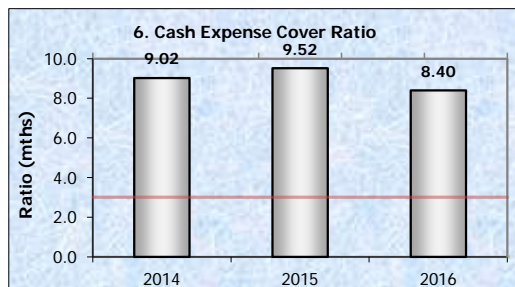
### Purpose of Rates & Annual Charges Outstanding Ratio

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

### Commentary on 2015/16 Result

2015/16 Ratio 5.44%

Ratio decreased as a result of issuing additional reminder notices prior to the year end, resulting in more payments being received prior to 30 June.



— 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 2015/16 Result

2015/16 Ratio 8.40 months

Ratio decreased as a result of decreased cash and cash equivalents.  
Ratio is better than benchmark.

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

| \$ '000  | Sewer<br>2016   | General <sup>5</sup><br>2016 |
|--|-----------------|------------------------------|
| <b>Local Government Industry Indicators - by Fund</b>  |                 |                              |
| <b>1. Operating Performance Ratio</b>  |                 |                              |
| Total continuing operating revenue <sup>(1)</sup><br>(excl. Capital Grants & Contributions) - Operating Expenses           |                 |                              |
| <u>Total continuing operating revenue<sup>(1)</sup><br/>(excl. Capital Grants &amp; Contributions)</u>                     | <b>-17.39%</b>  | <b>-9.39%</b>                |
| prior period:  | -4.25%          | -7.14%                       |
| <b>2. Own Source Operating Revenue Ratio</b>   |                 |                              |
| Total continuing operating revenue <sup>(1)</sup><br>(less ALL Grants & Contributions)                                     |                 |                              |
| <u>Total continuing operating revenue<sup>(1)</sup></u>  | <b>92.96%</b>   | <b>68.52%</b>                |
| prior period:  | 96.06%          | 58.01%                       |
| <b>3. Unrestricted Current Ratio</b>   |                 |                              |
| Current Assets less all External Restrictions <sup>(2)</sup>   |                 |                              |
| <u>Current Liabilities less Specific Purpose Liabilities<sup>(3,4)</sup></u>   | <b>6.48x</b>    | <b>4.23x</b>                 |
| prior period:  | 5.06x           | 3.56x                        |
| <b>4. Debt Service Cover Ratio</b>   |                 |                              |
| Operating Result <sup>(1)</sup> before capital excluding interest<br>and depreciation / impairment / amortisation (EBITDA) |                 |                              |
| <u>Principal Repayments (from the Statement of Cash Flows)<br/>+ Borrowing Interest Costs (from the Income Statement)</u>  | <b>2.67x</b>    | <b>12.89x</b>                |
| prior period:  | 3.67x           | 10.64x                       |
| <b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>                                       |                 |                              |
| Rates, Annual and Extra Charges Outstanding  |                 |                              |
| <u>Rates, Annual and Extra Charges Collectible</u>   | <b>7.57%</b>    | <b>5.18%</b>                 |
| prior period:  | 5.31%           | 5.54%                        |
| <b>6. Cash Expense Cover Ratio</b>   |                 |                              |
| Current Year's Cash and Cash Equivalents<br>including All Term Deposits  |                 |                              |
| <u>Payments from cash flow of operating and<br/>financing activities</u> x12   | <b>5.10mths</b> | <b>8.74mths</b>              |
| prior period:  | 3.37mths        | 9.24mths                     |

### Notes

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

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

## Note 14. Investment Properties

| \$ '000   | Notes | Actual<br>2016 | Actual<br>2015 |
|---|-------|----------------|----------------|
| <b>(a) Investment Properties at Fair value</b>  |       |                |                |
| <b>Investment Properties on Hand</b>  |       | <b>41,655</b>  | <b>47,100</b>  |
| <b>Reconciliation of Annual Movement:</b>   |       |                |                |
| Opening Balance   |       | 47,100         | 34,946         |
| - Acquisitions  |       | 38             | 63             |
| - Capitalised Expenditure - this year   |       | -              | -              |
| - Disposals during Year   |       | (335)          | -              |
| - Net Gain/(Loss) from Fair Value Adjustments   |       | (5,148)        | 12,091         |
| - Transfers from/(to) Owner Occupied (Note 9)   |       | -              | -              |
| - Other Movements   |       | -              | -              |
| <b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>  |       | <b>41,655</b>  | <b>47,100</b>  |
| <b>(b) Valuation Basis</b>  |       |                |                |
| 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 2016 revaluations were based on an independently full revaluation provided by:<br>Lunney Watt & Associates Pty Limited  |       |                |                |
| <b>(c) Contractual Obligations at Reporting Date</b>  |       |                |                |
| Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.   |       |                |                |
| <b>(d) Leasing Arrangements</b>   |       |                |                |
| Details of leased Investment Properties are as follows;   |       |                |                |
| Future Minimum Lease Payments receivable under non-cancellable<br>Investment Property Operating Leases not recognised in the<br>Financial Statements are receivable as follows:   |       |                |                |
| Within 1 year   |       | 425            | 376            |
| Later than 1 year but less than 5 years   |       | 652            | 619            |
| Later than 5 years  |       | 68             | 134            |
| <b>Total Minimum Lease Payments Receivable</b>  |       | <b>1,145</b>   | <b>1,129</b>   |
| <b>(e) Investment Property Income &amp; Expenditure - summary</b>   |       |                |                |
| <b>Rental Income from Investment Properties:</b>  |       |                |                |
| - Minimum Lease Payments  |       | 1,349          | 1,479          |
| - Other Income  |       | 395            | 298            |
| <b>Direct Operating Expenses on Investment Properties:</b>  |       |                |                |
| - that generated rental income  |       | (273)          | (248)          |
| - that did not generate rental income   |       | (171)          | (255)          |
| <b>Net Revenue Contribution from Investment Properties</b>  |       | <b>1,300</b>   | <b>1,274</b>   |
| plus:   |       |                |                |
| <b>Fair Value Movement for year</b>   |       | <b>(5,148)</b> | <b>12,091</b>  |
| <b>Total Income attributable to Investment Properties</b>   |       | <b>(3,848)</b> | <b>13,365</b>  |

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

## Note 15. Financial Risk Management

\$ '000

### Risk Management

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

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

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

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

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

|                                    | Carrying Value |               | Fair Value    |               |
|------------------------------------|----------------|---------------|---------------|---------------|
|                                    | 2016           | 2015          | 2016          | 2015          |
| <b>Financial Assets</b>            |                |               |               |               |
| Cash and Cash Equivalents          | 5,233          | 7,002         | 5,233         | 7,002         |
| Investments                        |                |               |               |               |
| - "Held to Maturity"               | 38,800         | 38,800        | 38,800        | 38,800        |
| Receivables                        | 7,650          | 5,442         | 7,650         | 5,442         |
| <b>Total Financial Assets</b>      | <b>51,683</b>  | <b>51,244</b> | <b>51,683</b> | <b>51,244</b> |
| <b>Financial Liabilities</b>       |                |               |               |               |
| Payables                           | 7,967          | 8,916         | 7,967         | 8,916         |
| Loans / Advances                   | 5,356          | 6,097         | 5,356         | 6,097         |
| <b>Total Financial Liabilities</b> | <b>13,323</b>  | <b>15,013</b> | <b>13,323</b> | <b>15,013</b> |

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & 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.

## Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & 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 |
| <b>2016</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in Interest Rates | 440                      | 440    | (440)                    | (440)  |
| <b>2015</b>  |                          |        |                          |        |
| Possible impact of a 1% movement in Interest Rates | 458                      | 458    | (458)                    | (458)  |



## Note 15. Financial Risk Management (continued)

\$ '000

### (b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & 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 & 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:

|  | 2016<br>Rates &<br>Annual<br>Charges | 2016<br>Other<br>Receivables | 2015<br>Rates &<br>Annual<br>Charges | 2015<br>Other<br>Receivables |
|--|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
| <b>(i) Ageing of Receivables - %</b>                             |                                      |                              |                                      |                              |
| Current (not yet overdue)  | 0%                                   | 80%                          | 0%                                   | 95%                          |
| Overdue  | 100%                                 | 20%                          | 100%                                 | 5%                           |
|  | <b>100%</b>                          | <b>100%</b>                  | <b>100%</b>                          | <b>100%</b>                  |
| <b>(ii) Ageing of Receivables - value</b>                        |                                      |                              |                                      |                              |
| Current (not yet overdue)  | -                                    | 4,203                        | -                                    | 2,971                        |
| Overdue  | 2,564                                | 1,000                        | 2,443                                | 122                          |
|  | <b>2,564</b>                         | <b>5,203</b>                 | <b>2,443</b>                         | <b>3,093</b>                 |
| <b>(iii) Movement in Provision for Impairment of Receivables</b> |                                      |                              | 2016                                 | 2015                         |
| Balance at the beginning of the year                             |                                      |                              | 94                                   | 94                           |
| + new provisions recognised during the year                      |                                      |                              | -                                    | -                            |
| - amounts already provided for & written off this year           |                                      |                              | 23                                   | -                            |
| <b>Balance at the end of the year</b>                            |                                      |                              | <b>117</b>                           | <b>94</b>                    |

## Note 15. Financial Risk Management (continued)

\$ '000

### (c) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

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

| \$ '000                            | Subject to no maturity | ≤ 1 Year     | 1-2 Yrs    | payable in: |            |            |              | Total Cash Outflows | Actual Carrying Values |
|------------------------------------|------------------------|--------------|------------|-------------|------------|------------|--------------|---------------------|------------------------|
|                                    |                        |              |            | 2-3 Yrs     | 3-4 Yrs    | 4-5 Yrs    | > 5 Yrs      |                     |                        |
| <b>2016</b>                        |                        |              |            |             |            |            |              |                     |                        |
| Trade/Other Payables               | 2,794                  | 5,173        |            |             |            |            |              | 7,967               | 7,967                  |
| Loans & Advances                   |                        | 876          | 904        | 939         | 964        | 599        | 1,306        | 5,588               | 5,356                  |
| <b>Total Financial Liabilities</b> | <b>2,794</b>           | <b>6,049</b> | <b>904</b> | <b>939</b>  | <b>964</b> | <b>599</b> | <b>1,306</b> | <b>13,555</b>       | <b>13,323</b>          |
| <b>2015</b>                        |                        |              |            |             |            |            |              |                     |                        |
| Trade/Other Payables               | 3,043                  | 5,873        |            |             |            |            |              | 8,916               | 8,916                  |
| Loans & Advances                   |                        | 850          | 876        | 904         | 939        | 964        | 2,305        | 6,838               | 6,097                  |
| <b>Total Financial Liabilities</b> | <b>3,043</b>           | <b>6,723</b> | <b>876</b> | <b>904</b>  | <b>939</b> | <b>964</b> | <b>2,305</b> | <b>15,754</b>       | <b>15,013</b>          |

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

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

|   | 2016           |                          | 2015           |                          |
|---|----------------|--------------------------|----------------|--------------------------|
|   | Carrying Value | Applicable Interest Rate | Carrying Value | Applicable Interest Rate |
| Trade/Other Payables                                | 7,967          | 0.00%                    | 8,916          | 0.00%                    |
| Loans & Advances - Fixed Interest Rate (subsidised) | 3,986          | 5.82%                    | 4,435          | 5.82%                    |
| Loans & Advances - Interest Free                    | 1,370          | 0.00%                    | 1,662          | 0.00%                    |
|   | <b>13,323</b>  |                          | <b>15,013</b>  |                          |

## Note 16. Material Budget Variations

Council's Original Financial Budget for 15/16 was adopted by the Council on 23 June 2015.

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  | 2016<br>Budget | 2016<br>Actual | 2016<br>----- Variance* ----- |      |          |
|--|----------------|----------------|-------------------------------|------|----------|
| <b>REVENUES</b>  |                |                |                               |      |          |
| <b>Rates &amp; Annual Charges</b>  | <b>47,371</b>  | <b>47,870</b>  | <b>499</b>                    | 1%   | <b>F</b> |
| <b>User Charges &amp; Fees</b>   | <b>5,637</b>   | <b>6,642</b>   | <b>1,005</b>                  | 18%  | <b>F</b> |
| Income from the Hawkesbury Sport Council (HSC) was not included in the Original Budget. Sewer Trade Waste Income was higher than projected as a result of a large mass volumes charge levied. Commercial Sullage was also higher than projected, due to a greater volumes collected. |                |                |                               |      |          |
| <b>Interest &amp; Investment Revenue</b>   | <b>1,153</b>   | <b>1,568</b>   | <b>415</b>                    | 36%  | <b>F</b> |
| Investment revenue is more than the Original Budget due to higher level of funds invested than budgeted.   |                |                |                               |      |          |
| <b>Other Revenues</b>  | <b>4,206</b>   | <b>4,443</b>   | <b>237</b>                    | 6%   | <b>F</b> |
| <b>Operating Grants &amp; Contributions</b>  | <b>6,849</b>   | <b>7,033</b>   | <b>184</b>                    | 3%   | <b>F</b> |
| <b>Capital Grants &amp; Contributions</b>  | <b>2,309</b>   | <b>18,286</b>  | <b>15,977</b>                 | 692% | <b>F</b> |
| Only known grants are budgeted for in the Original Budget. Non cash asset dedications are also not included in the Original Budget.  |                |                |                               |      |          |
| <b>Share of Net Profits - Joint Ventures &amp; Associates</b>  | <b>-</b>       | <b>284</b>     | <b>284</b>                    | n/a  | <b>F</b> |
| Share of profits from joint ventures and associates unknown at time of formulating the Original Budget.  |                |                |                               |      |          |

## Note 16. Material Budget Variations (continued)

| \$ '000  | 2016<br>Budget | 2016<br>Actual  | 2016<br>----- Variance* ----- |              |          |
|--|----------------|-----------------|-------------------------------|--------------|----------|
| <b>EXPENSES</b>  |                |                 |                               |              |          |
| <b>Employee Benefits &amp; On-Costs</b>  | <b>25,245</b>  | <b>26,492</b>   | <b>(1,247)</b>                | <b>(5%)</b>  | <b>U</b> |
| <b>Borrowing Costs</b>   | <b>495</b>     | <b>398</b>      | <b>97</b>                     | <b>20%</b>   | <b>F</b> |
| Movements in the Tip remediation provision and unwinding of the fair value adjustment on the Sewer Loan were less than budgeted.   |                |                 |                               |              |          |
| <b>Materials &amp; Contracts</b>   | <b>18,507</b>  | <b>17,835</b>   | <b>672</b>                    | <b>4%</b>    | <b>F</b> |
| <b>Depreciation &amp; Amortisation</b>   | <b>14,707</b>  | <b>18,455</b>   | <b>(3,748)</b>                | <b>(25%)</b> | <b>U</b> |
| Infrastructure and Sewer assets were revalued effective 30 June 2015, the impact of these revaluations on depreciation were not known at the time of formulating the Original Budget.  |                |                 |                               |              |          |
| <b>Other Expenses</b>  | <b>11,768</b>  | <b>16,389</b>   | <b>(4,621)</b>                | <b>(39%)</b> | <b>U</b> |
| The revaluation of investment properties as at 30 June 2016 resulted in a unfavourable variance, the result of which was unknown at the time of formulating the Original Budget.   |                |                 |                               |              |          |
| <b>Net Losses from Disposal of Assets</b>  | <b>-</b>       | <b>245</b>      | <b>(245)</b>                  | <b>n/a</b>   | <b>U</b> |
| Net Losses from Disposal of Assets are not included in the Original Budget.  |                |                 |                               |              |          |
| <b>Budget Variations relating to Council's Cash Flow Statement include:</b>  |                |                 |                               |              |          |
| <b>Cash Flows from Operating Activities</b>  | <b>12,053</b>  | <b>15,344</b>   | <b>3,291</b>                  | <b>27%</b>   | <b>F</b> |
| Grants and contributions received during the year were not included in the Original Budget. Investment income greater than budgeted due to a higher level of funds invested. The impact of GST grossing up is not incorporated into the Original Budget.   |                |                 |                               |              |          |
| <b>Cash Flows from Investing Activities</b>  | <b>(9,425)</b> | <b>(16,264)</b> | <b>(6,839)</b>                | <b>73%</b>   | <b>U</b> |
| 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. |                |                 |                               |              |          |
| <b>Cash Flows from Financing Activities</b>  | <b>(850)</b>   | <b>(849)</b>    | <b>1</b>                      | <b>(0%)</b>  | <b>F</b> |

## 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<br>Balance | Contributions<br>received during the Year |               | Interest<br>earned<br>in Year | Expenditure<br>during<br>Year | Internal<br>Borrowing<br>(to)/from | Held as<br>Restricted<br>Asset | Cumulative<br>Internal<br>Borrowings |
|---|--------------------|---|---------------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|--------------------------------------|
|   |                    | Cash                                      | Non Cash      |                               |                               |                                    |                                |                                      |
| Drainage                                | 39                 | -   | 3,451         | -                             | (3,451)                       | -                                  | 39                             | -                                    |
| Roads                                   | 321                | 56  | 1,316         | 71                            | (1,316)                       | -                                  | 448                            | 1,507                                |
| Parking                                 | 588                | 156                                       | -             | 12                            | (248)                         | -                                  | 508                            | -                                    |
| Open Space                              | 263                | 66  | 5,598         | 35                            | (5,732)                       | -                                  | 230                            | -                                    |
| Community Facilities                    | 2,542              | 72  | 276           | 40                            | (1,935)                       | -                                  | 995                            | 622                                  |
| Recreational Facilities                 | 1,407              | 29  | -             | 31                            | (490)                         | -                                  | 977                            | 314                                  |
| Bushfire                                | 37                 | -   | -             | -                             | (10)                          | -                                  | 27                             | -                                    |
| Extractive Industries                   | 79                 | 113                                       | -             | 5                             | -                             | -                                  | 197                            | -                                    |
| Land Acquisition                        | 243                | 32  | -             | 15                            | -                             | -                                  | 291                            | (3,613)                              |
| Plan Administration Reserve             | 29                 | -   | -             | -                             | (3)                           | -                                  | 26                             | -                                    |
| <b>S94 Contributions - under a Plan</b> | <b>5,548</b>       | <b>525</b>                                | <b>10,641</b> | <b>209</b>                    | <b>(13,185)</b>               | <b>-</b>                           | <b>3,737</b>                   | <b>(1,170)</b>                       |
| <b>S94A Levies - under a Plan</b>       | <b>649</b>         | <b>701</b>                                | <b>-</b>      | <b>57</b>                     | <b>(264)</b>                  | <b>-</b>                           | <b>1,143</b>                   | <b>1,170</b>                         |
| <b>Total S94 Revenue Under Plans</b>    | <b>6,197</b>       | <b>1,226</b>                              | <b>10,641</b> | <b>266</b>                    | <b>(13,449)</b>               | <b>-</b>                           | <b>4,880</b>                   | <b>-</b>                             |
| S64 Contributions                       | 551                | 451                                       | -             | 3                             | -                             | -                                  | 1,005                          | -                                    |
| <b>Total Contributions</b>              | <b>6,748</b>       | <b>1,677</b>                              | <b>10,641</b> | <b>269</b>                    | <b>(13,449)</b>               | <b>-</b>                           | <b>5,886</b>                   | <b>-</b>                             |

Cumulative internal borrowings represent the amount required to be repaid from General Fund on development of a repayment program.

## Note 17. Statement of Developer Contributions (continued)

\$ '000

### S94 CONTRIBUTIONS - UNDER A PLAN

#### CONTRIBUTION PLAN - HAWKESBURY CITY

| PURPOSE                     | Opening<br>Balance | Contributions<br>received during the Year |               | Interest<br>earned<br>in Year | Expenditure<br>during<br>Year | Internal<br>Borrowing<br>(to)/from | Held as<br>Restricted<br>Asset | Cumulative<br>Internal<br>Borrowings |
|-----------------------------|--------------------|---|---------------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|--------------------------------------|
|                             |                    | Cash                                      | Non Cash      |                               |                               |                                    |                                |                                      |
| Drainage                    | 39                 | -   | 3,451         | -                             | (3,451)                       | -                                  | 39                             | -                                    |
| Roads                       | 321                | 56  | 1,316         | 71                            | (1,316)                       | -                                  | 448                            | 1,507                                |
| Parking                     | 588                | 156                                       | -             | 12                            | (248)                         | -                                  | 508                            | -                                    |
| Open Space                  | 263                | 66  | 5,598         | 35                            | (5,732)                       | -                                  | 230                            | -                                    |
| Community Facilities        | 2,542              | 72  | 276           | 40                            | (1,935)                       | -                                  | 995                            | 622                                  |
| Recreational Facilities     | 1,407              | 29  | -             | 31                            | (490)                         | -                                  | 977                            | 314                                  |
| Bushfire                    | 37                 | -   | -             | -                             | (10)                          | -                                  | 27                             | -                                    |
| Extractive Industries       | 79                 | 113                                       | -             | 5                             | -                             | -                                  | 197                            | -                                    |
| Land Acquisition            | 243                | 32  | -             | 15                            | -                             | -                                  | 291                            | (3,613)                              |
| Plan Administration Reserve | 29                 | -   | -             | -                             | (3)                           | -                                  | 26                             | -                                    |
| <b>Total</b>                | <b>5,548</b>       | <b>525</b>                                | <b>10,641</b> | <b>209</b>                    | <b>(13,185)</b>               | <b>-</b>                           | <b>3,737</b>                   | <b>(1,170)</b>                       |

### S94A LEVIES - UNDER A PLAN

#### CONTRIBUTION PLAN - HAWKESBURY CITY

| PURPOSE      | Opening<br>Balance | Contributions<br>received during the Year |          | Interest<br>earned<br>in Year | Expenditure<br>during<br>Year | Internal<br>Borrowing<br>(to)/from | Held as<br>Restricted<br>Asset | Cumulative<br>Internal<br>Borrowings |
|--------------|--------------------|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|--------------------------------------|
|              |                    | Cash                                      | Non Cash |                               |                               |                                    |                                |                                      |
| Other        | 649                | 701                                       | -        | 57                            | (264)                         | -                                  | 1,142                          | 1,170                                |
| <b>Total</b> | <b>649</b>         | <b>701</b>                                | <b>-</b> | <b>57</b>                     | <b>(264)</b>                  | <b>-</b>                           | <b>1,142</b>                   | <b>-</b>                             |

## 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 ten members to Westpool, an insurance pool managed by Willis Aust. Ltd.

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

Council's contribution represented 7% of the total amounts paid in by member Councils.

The pool ended with a surplus of \$32.195M of which Council's proportional share is \$2.087M.

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.

#### **3. 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 Councils 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 (& subsequent land asset) from such potential acquisitions has not been possible.

**iv) Prosecution Costs Relating to Sewerage Incident**

An investigation has been held by the Environmental Protection Authority (EPA) regarding sewerage spills impacting land not owned by Council. The EPA are proceeding with court action, which will be held before December 2016. It is anticipated that Council will be liable for court costs of the EPA and Council and that a pecuniary penalty will be issued. The timing and amounts in relation to this matter is unknown at the time of preparation. A portion of these costs will be covered by Council's insurance

**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 & including 30 June 2008.

**(ii) Infringement Notices/Fines**

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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. Interests in Other Entities

\$ '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;

### Controlled Entities (Subsidiaries)

*Note 19(a)*

Operational Arrangements where Councils control (but not necessarily interest) exceeds 50%

### Joint Ventures & Associates

*Note 19(b)*

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

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

### Joint Venture Operations

*Note 19(c)*

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

### Unconsolidated Structured Entities

*Note 19(d)*

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

### Subsidiaries, Joint Arrangements and Associates not recognised

*Note 19(e)*

### Accounting Recognition:

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

(ii) Joint Ventures and Associates as per Notes 19(b) are accounted for using the Equity Accounting Method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

|                | Council's Share of Net Income |                | Council's Share of Net Assets |                |
|----------------|-------------------------------|----------------|-------------------------------|----------------|
|                | Actual<br>2016                | Actual<br>2015 | Actual<br>2016                | Actual<br>2015 |
| Joint Ventures | 284                           | 343            | 2,538                         | 2,362          |
| <b>Total</b>   | <b>284</b>                    | <b>343</b>     | <b>2,538</b>                  | <b>2,362</b>   |

## Note 19. Interests in Other Entities (continued)

\$ '000

### (a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities & results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

| Name of Operation/Entity            | Principal Activity  |
|-------------------------------------|---|
| <b>1. Hawkesbury Sports Council</b> | Sports & Sporting Recreation<br>135 Windsor Street, RICHMOND NSW 2753 |

| Interests in Subsidiary                | Ownership |      | Voting Rights |      |
|--|-----------|------|---------------|------|
|  | 2016      | 2015 | 2016          | 2015 |
| Council's Interest in Subsidiary       | 100%      | 100% | 10%           | 10%  |
| Non-Controlling Interest in Subsidiary | 0%        | 0%   | 90%           | 90%  |

#### The nature and extent of significant restrictions relating to the Subsidiary

As HSC is a subsidiary of Council, there are no significant restrictions relating to Cash & Investments or Other Assets.

#### The nature of risks associated with Council's interests in the Subsidiary

Council has delegated the responsibility of the management of sporting facilities and associated auspiced Council funded services to the Hawkesbury Sports Council (HSC). The HSC is an incorporated association that operates autonomously via the entity's constitution. Council contributions both financial and in-kind support in the form of land and facilities to ensure adequate provision of sports services and facilities to the community.

As the function of HSC is to perform the functions and services delegated by Council, any financial loss incurred by HSC is borne by Council and recognised in the consolidated Financial Statements. As a mechanism to reduce the risk of financial losses and to ensure that decisions made by HSC align with Council's operational and strategic objectives, Council representatives, being the Manager of Parks & Recreation and a nominated Councillor, are invited to attend each meeting. As assets used by HSC are owned by Council, adequate insurance cover is included in Council's insurance policy portfolio to mitigate risks associated with loss or damage.

During 2015/2016, Council contributed \$762K for the operation of HSC and \$222K for capital improvements of facilities. Council currently intends to continue providing operational and capital financial contributions to HSC.

#### Other disclosures

Although Council has limited voting powers on the HSC executive, the existence of this entity is contingent on Council continuing to provide facilities, financial contributions and delegation for the management of its sporting facilities.

### Summarised Financial Information for the Subsidiary

| Summarised Statement of Comprehensive Income     |  | 2016     | 2015      |
|--|--|----------|-----------|
| Revenue  |  | 905      | 840       |
| Expenses   |  | (900)    | (819)     |
| <b>Profit for the Period</b>                     |  | <b>5</b> | <b>21</b> |
| <b>Other Comprehensive Income:</b>               |  |          |           |
| Fair Value Adjustment - IPP&E                    |  | -        | -         |
| <b>Total Comprehensive income <sup>(1)</sup></b> |  | <b>5</b> | <b>21</b> |
| <sup>(1)</sup> Non-controlling Interest Share    |  | -        | -         |
| Dividends paid to Non-controlling Interests      |  | -        | -         |

| Summarised Statement of Financial Position |  | 2016       | 2015       |
|--|--|------------|------------|
| Current Assets                             |  | 790        | 620        |
| Non Current Assets                         |  | 104        | 104        |
| <b>Total Assets</b>                        |  | <b>894</b> | <b>724</b> |

## Note 19. Interests in Other Entities (continued)

\$ '000

### (a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council (continued)

#### Summarised Statement of Financial Position (continued)

|   | 2016       | 2015       |
|---|------------|------------|
| Current Liabilities                           | 77         | 58         |
| Non Current Liabilities                       | -          | -          |
| <b>Total Liabilities</b>                      | <b>77</b>  | <b>58</b>  |
| <b>Net Assets <sup>(2)</sup></b>              | <b>817</b> | <b>666</b> |
| <sup>(2)</sup> Non-controlling Interest Share | -          | -          |

### (b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into it's consolidated Financial Statements.

#### (a) Net Carrying Amounts - Council's Share

| Name of Entity   | Nature of Relationship | Measurement Method | 2016         | 2015         |
|--|------------------------|--------------------|--------------|--------------|
| Westpool   | Joint Venture          | Equity Method      | 2,196        | 1,972        |
| United Independent Pools   | Joint Venture          | Equity Method      | 451          | 390          |
| <b>Total Carrying Amounts - Material Joint Ventures and Associates</b> |                        |                    | <b>2,647</b> | <b>2,362</b> |

#### (b) Details

| Name of Entity           | Principal Activity   | Place of Business |
|--------------------------|--|-------------------|
| Westpool                 | Self insurance provider for public liability and indemnity | Penrith           |
| United Independent Pools | Review Industrial Special risk and Motor risk              | Penrith           |

#### (c) Relevant Interests & Fair Values

| Name of Entity           | Interest in Outputs |      | Interest in Ownership |      | Proportion of Voting Power |      |
|--------------------------|---------------------|------|-----------------------|------|----------------------------|------|
|                          | 2016                | 2015 | 2016                  | 2015 | 2016                       | 2015 |
| Westpool                 | 7%                  | 7%   | 7%                    | 7%   | 10%                        | 10%  |
| United Independent Pools | 6%                  | 6%   | 5%                    | 5%   | 5%                         | 5%   |

## Note 19. Interests in Other Entities (continued)

\$ '000

### (b) Joint Ventures and Associates (continued)

#### (d) Summarised Financial Information for Joint Ventures & Associates

|   | <b>Westpool</b> |               | <b>United Independent Pools</b> |              |
|---|-----------------|---------------|---------------------------------|--------------|
|   | 2016            | 2015          | 2016                            | 2015         |
| <b>Statement of Financial Position</b>              |                 |               |                                 |              |
| <b>Current Assets</b>                               |                 |               |                                 |              |
| Cash and cash equivalents                           | 2,960           |               |                                 |              |
| Current Assets                                      | 9,640           | 8,684         | 4,348                           | 6,027        |
| <b>Total Current Assets</b>                         | <b>12,600</b>   | <b>8,684</b>  | <b>4,348</b>                    | <b>6,027</b> |
| <b>Non-Current Assets</b>                           | <b>47,864</b>   | <b>48,488</b> | <b>8,539</b>                    | <b>5,761</b> |
| <b>Current Liabilities</b>                          |                 |               |                                 |              |
| Financial liabilities (excl. accounts payable)      | 4,999           | 4,742         | 3,146                           | 1,808        |
| Current Liabilities                                 | 523             |               |                                 |              |
| <b>Total Current Liabilities</b>                    | <b>5,522</b>    | <b>4,742</b>  | <b>3,146</b>                    | <b>-</b>     |
| <b>Non-Current Liabilities</b>                      | <b>22,856</b>   | <b>22,486</b> | <b>2,454</b>                    | <b>2,462</b> |
| <b>Net Assets</b>                                   | <b>32,086</b>   | <b>29,944</b> | <b>7,287</b>                    | <b>7,517</b> |
| <b>Reconciliation of the Carrying Amount</b>        |                 |               |                                 |              |
| <b>Opening Net Assets (1 July)</b>                  | 29,943          | 28,012        | 7,517                           | 6,906        |
| Profit/(Loss) for the period                        | 3,389           | 4,333         | (230)                           | 611          |
| Dividends Paid                                      | -               | (2,402)       | -                               | -            |
| Other Adjustment to equity                          | (1,246)         | -             | -                               | -            |
| <b>Closing Net Assets</b>                           | <b>32,086</b>   | <b>29,943</b> | <b>7,287</b>                    | <b>7,517</b> |
| <b>Council's share of Net Assets (%)</b>            | <b>6.8%</b>     | <b>6.6%</b>   | <b>6.2%</b>                     | <b>5.2%</b>  |
| <b>Council's share of Net Assets (\$)</b>           | <b>2,195</b>    | <b>1,972</b>  | <b>451</b>                      | <b>389</b>   |
|   | <b>Westpool</b> |               | <b>United Independent Pools</b> |              |
|   | 2016            | 2015          | 2016                            | 2015         |
| <b>Statement of Comprehensive Income</b>            |                 |               |                                 |              |
| Income  | 7,421           | 11,370        | 10,269                          | 10,284       |
| Interest income                                     | 2,438           |               | 424                             |              |
| Interest Expenses                                   | (17)            |               |                                 |              |
| Other expenses                                      | (6,344)         | (7,036)       | (10,923)                        | (9,673)      |
| <b>Profit/(Loss) from Continuing Operations</b>     | <b>3,498</b>    | <b>4,334</b>  | <b>(230)</b>                    | <b>611</b>   |
| Profit/(Loss) from Discontinued Operations          | -               | -             | -                               | -            |
| <b>Profit/(Loss) for Period</b>                     | <b>3,498</b>    | <b>4,334</b>  | <b>(230)</b>                    | <b>611</b>   |
| Other Comprehensive Income                          | -               | -             | -                               | -            |
| <b>Total Comprehensive Income</b>                   | <b>3,498</b>    | <b>4,334</b>  | <b>(230)</b>                    | <b>611</b>   |
| <b>Council's share of Income (%)</b>                | <b>6.4%</b>     | <b>7.2%</b>   | <b>-26.0%</b>                   | <b>5.5%</b>  |
| <b>Council's share of Profit/(Loss) (\$)</b>        | <b>224</b>      | <b>310</b>    | <b>60</b>                       | <b>33</b>    |
| <b>Council's share of Comprehensive Income (\$)</b> | <b>224</b>      | <b>310</b>    | <b>60</b>                       | <b>33</b>    |
| <b>Dividends received by Council</b>                | <b>109</b>      | <b>330</b>    | <b>-</b>                        | <b>-</b>     |

## Note 19. Interests in Other Entities (continued)

\$ '000

### (b) Joint Ventures and Associates (continued)

#### (e) The nature and extent of significant restrictions relating to Joint Ventures & Associates

There are restrictions on Westpool and UIP members to access equity to pay Council's liabilities, including:

- a. members must provide 12 months notice prior to leaving the pool; and
- b. equity is only returned to members after the capital adequacy thresholds have been met within the pool.

### (c) Joint Operations

Council has no interest in any Joint Operations.

### (d) Unconsolidated Structured Entities

Council did not consolidate the following Structured Entities:

#### 1. Hawkesbury River County Council (HRCC)

A statutory body responsible for the management of noxious weeds, covering the Hawkesbury, Penrith, Hills and Blacktown LGAs. HRCC earned \$2.3M of revenue and expended \$2.3M in 2015/2016 and holds \$2.2M of equity as at 30 June 2016.

##### Nature of Risks relating to the Unconsolidated Structured Entity

Council contributed \$165,994 to HRCC in 2015/2016, which represented 7% of total revenue. Only 28% of revenue is sourced by constituent Councils, with the majority of income received being grants for the management of noxious weeds.

The HRCC operates within the boundaries of available revenue and therefore is deemed to be low risk. Council's involvement is limited to the contributions paid annually and is represented at board meetings by two Councillors.

##### Current Intention to provide financial support

Council currently intends to continue providing financial contributions to HRCC.

#### 2. Western Sydney Regional Organisation of Councils (WSROC)

A regional body established to co-ordinate lobbying for Western Sydney, representing 10 Councils, including HCC. Additionally, WSROC provides resource-sharing opportunities and joint project management co-ordination.

##### Nature of Risks relating to the Unconsolidated Structured Entity

Council contributed \$68,000 to WSROC in 2015/2016. Council also participates in joint projects and programs when they arise, if they present a sound investment opportunity to Council, but is not required to participate.

WSROC operates within the boundaries of contributions received from member Councils and therefore is deemed to be low risk. Council's involvement is limited to the membership paid annually and is represented on the board by two Councillors.

##### Current Intention to provide financial support

Council currently intends to continue providing financial contributions to WSROC.

### (e) Subsidiaries, Joint Arrangements & Associates not recognised

All entities that Council has a material interest in have been disclosed.

## Note 20. Equity - Retained Earnings and Revaluation Reserves

| \$ '000   | Notes  | Actual<br>2016 | Actual<br>2015 |
|---|--------|----------------|----------------|
| <b>(a) Retained Earnings</b>  |        |                |                |
| <b>Movements in Retained Earnings were as follows:</b>                |        |                |                |
| Balance at beginning of Year (from previous years audited accounts)   |        | 446,795        | 332,048        |
| a. Correction of Prior Period Errors                                  | 20 (c) | (1,895)        | 76,469         |
| 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                                  |        | 6,312          | 38,156         |
| e. Distributions to/(Contributions from) Non-controlling Interests    |        | -              | -              |
| f. Transfers between Equity   |        | 151            | 122            |
| g. Joint Ventures and associates                                      |        | (109)          | -              |
| <b>Balance at End of the Reporting Period</b>                         |        | <b>451,255</b> | <b>446,795</b> |

## (b) Reserves

### (i) Reserves are represented by:

|   |                |                |
|---|----------------|----------------|
| - Infrastructure, Property, Plant & Equipment Revaluation Reserve | 600,418        | 586,695        |
| <b>Total</b>  | <b>600,418</b> | <b>586,695</b> |

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

|  |      |                |                |
|--|------|----------------|----------------|
| <b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b> |      |                |                |
| - Opening Balance  |      | 586,695        | 523,588        |
| - Revaluations for the year  | 9(a) | 13,723         | 63,107         |
| <b>- Balance at End of Year</b>  |      | <b>600,418</b> | <b>586,695</b> |
| <b>TOTAL VALUE OF RESERVES</b>   |      | <b>600,418</b> | <b>586,695</b> |

### (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<br>2016 | Actual<br>2015 |
|---|-------|----------------|----------------|
| <b>(c) Correction of Error/s relating to a Previous Reporting Period</b>        |       |                |                |
| <b>Correction of errors disclosed in this year's financial statements:</b>      |       |                |                |
| Council has made the following asset adjustments to retained earnings           |       |                |                |
| - Disposal of community land - duplication of asset or Council is not the owner |       | (2,871)        |                |
| - Community Land previously not recorded in the asset register                  |       | 386            |                |
| - Park Asset disposed due to duplication or Council is not the owner            |       | (23)           |                |
| - Write off of depreciation for Tip Asset                                       |       | 907            |                |
| - Adjustment to Tip Provision, as not fully remediated                          |       | (231)          |                |
| - Write off of WIP, as project not continued                                    |       | (33)           |                |
| - Write off of Buildings as not owned by Council                                |       | (17)           |                |
| - Write off other structures as Council is not the owner                        |       | (12)           |                |
|   |       | <u>(1,894)</u> |                |
| <b>Correction of errors as disclosed in last year's financial statements:</b>   |       |                |                |
| Council has made the following asset adjustments to retained earnings:          |       |                |                |
| - Park Asset Disposals - duplication of assets                                  |       |                | (2)            |
| - Other Structure Disposal - not owner of asset                                 |       |                | (1,027)        |
| - Bus shelters previously not recorded in asset register                        |       |                | 14             |
| - Land transfer of operational to community land                                |       |                | (6,506)        |
| - Adjustment to previous year expenses  |       |                | 11             |
| - Decrease to roads accumulated depreciation                                    |       |                | 69,556         |
| - Decrease to stormwater drainage accumulated depreciation                      |       |                | 14,397         |
| - Plant Suspense Account  |       |                | 26             |
| <b>Total Prior Period Adjustments - Prior Period Errors</b>                     |       |                | <u>76,469</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

| Income Statement by Fund<br>\$ '000  | Actual<br>2016 | Actual<br>2016             |
|--|----------------|----------------------------|
| <b>Continuing Operations</b>   | <b>Sewer</b>   | <b>General<sup>1</sup></b> |
| <b>Income from Continuing Operations</b>   |                |                            |
| Rates & Annual Charges   | 5,382          | 42,488                     |
| User Charges & Fees  | 1,019          | 5,623                      |
| Interest & Investment Revenue  | 65             | 1,503                      |
| Other Revenues   | 19             | 4,424                      |
| Grants & Contributions provided for Operating Purposes   | 41             | 6,992                      |
| Grants & Contributions provided for Capital Purposes   | 451            | 17,835                     |
| <b>Other Income</b>  |                |                            |
| Net Gains from Disposal of Assets  | -              | -                          |
| Share of interests in Joint Ventures & Associates using the Equity Method                              |                | 284                        |
| <b>Total Income from Continuing Operations</b>   | <b>6,977</b>   | <b>79,149</b>              |
| <b>Expenses from Continuing Operations</b>   |                |                            |
| Employee Benefits & on-costs   | 1,444          | 25,048                     |
| Borrowing Costs  | -              | 290                        |
| Materials & Contracts  | 2,489          | 15,346                     |
| Depreciation & Amortisation  | 2,202          | 16,253                     |
| Unwinding of interest free loan  | 108            | -                          |
| Other Expenses   | 1,339          | 15,050                     |
| Net Losses from the Disposal of Assets   | 19             | 226                        |
| Share of interests in Joint Ventures & Associates using the Equity Method                              |                |                            |
| <b>Total Expenses from Continuing Operations</b>   | <b>7,601</b>   | <b>72,213</b>              |
| <b>Operating Result from Continuing Operations</b>   | <b>(624)</b>   | <b>6,936</b>               |
| <b>Discontinued Operations</b>   |                |                            |
| Net Profit/(Loss) from Discontinued Operations   | -              | -                          |
| <b>Net Operating Result for the Year</b>   | <b>(624)</b>   | <b>6,936</b>               |
| <b>Net Operating Result attributable to each Council Fund</b>  | <b>(624)</b>   | <b>6,936</b>               |
| <b>Net Operating Result attributable to Non-controlling Interests</b>                                  | <b>-</b>       | <b>-</b>                   |
| <b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b> | <b>(1,075)</b> | <b>(10,899)</b>            |

<sup>1</sup> 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)

| Statement of Financial Position by Fund<br>\$ '000 | Actual<br>2016 | Actual<br>2016             |
|--|----------------|----------------------------|
| <b>ASSETS</b>                                      | <b>Sewer</b>   | <b>General<sup>1</sup></b> |
| <b>Current Assets</b>                              |                |                            |
| Cash & Cash Equivalents                            | 1,409          | 3,824                      |
| Investments  | 1,126          | 37,674                     |
| Receivables  | 409            | 6,190                      |
| Inventories  |                | 430                        |
| Other  |                | 836                        |
| <b>Total Current Assets</b>                        | <b>2,944</b>   | <b>48,954</b>              |
| <b>Non-Current Assets</b>                          |                |                            |
| Receivables  | -              | 1,051                      |
| Infrastructure, Property, Plant & Equipment        | 83,251         | 895,858                    |
| Investments Accounted for using the equity method  | -              | 2,538                      |
| Investment Property                                | 75             | 41,580                     |
| Intangible Assets                                  | -              | 471                        |
| <b>Total Non-Current Assets</b>                    | <b>83,326</b>  | <b>941,498</b>             |
| <b>TOTAL ASSETS</b>                                | <b>86,270</b>  | <b>990,452</b>             |
| <b>LIABILITIES</b>                                 |                |                            |
| <b>Current Liabilities</b>                         |                |                            |
| Payables   | -              | 7,967                      |
| Borrowings   | 108            | 742                        |
| Provisions   | 288            | 8,524                      |
| <b>Total Current Liabilities</b>                   | <b>396</b>     | <b>17,233</b>              |
| <b>Non-Current Liabilities</b>                     |                |                            |
| Borrowings   | 1,262          | 3,244                      |
| Provisions   | 58             | 2,856                      |
| <b>Total Non-Current Liabilities</b>               | <b>1,320</b>   | <b>6,100</b>               |
| <b>TOTAL LIABILITIES</b>                           | <b>1,716</b>   | <b>23,333</b>              |
| <b>Net Assets</b>                                  | <b>84,554</b>  | <b>967,119</b>             |
| <b>EQUITY</b>                                      |                |                            |
| Retained Earnings                                  | 37,310         | 413,945                    |
| Revaluation Reserves                               | 47,244         | 553,174                    |
| <b>Council Equity Interest</b>                     | <b>84,554</b>  | <b>967,119</b>             |
| <b>Non-controlling Interests</b>                   | <b>-</b>       | <b>-</b>                   |
| <b>Total Equity</b>                                | <b>84,554</b>  | <b>967,119</b>             |

<sup>1</sup> 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 & 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 2016) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 28 October 2016.

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 2016.

- (ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (and figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

## Note 24. Discontinued Operations

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

## Note 25. Intangible Assets

| \$ '000   | Actual<br>2016    | Actual<br>2015    |
|---|-------------------|-------------------|
| Intangible Assets represent identifiable non-monetary asset without physical substance. |                   |                   |
| Intangible Assets are as follows;   |                   |                   |
| <b>Opening Values:</b>  |                   |                   |
| Gross Book Value (1/7)  | 2,697             | 2,456             |
| Accumulated Amortisation (1/7)  | (2,076)           | (1,835)           |
| Accumulated Impairment (1/7)  | -                 | -                 |
| <b>Net Book Value - Opening Balance</b>   | <b>621</b>        | <b>621</b>        |
| <b>Movements for the year</b>   |                   |                   |
| - Purchases   | 262               | 241               |
| - Amortisation charges  | (412)             | (241)             |
| <b>Closing Values:</b>  |                   |                   |
| Gross Book Value (30/6)   | 2,959             | 2,697             |
| Accumulated Amortisation (30/6)   | (2,488)           | (2,076)           |
| <b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u><sup>1</sup></b>                      | <b><u>471</u></b> | <b><u>621</u></b> |
| <sup>1.</sup> <b>The Net Book Value of Intangible Assets represent:</b>                 |                   |                   |
| - Software  | 471               | 621               |
|   | <b><u>471</u></b> | <b><u>621</u></b> |

## Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

| Asset/Operation                               | Estimated<br>year of<br>restoration | NPV of Provision |              |
|---|-------------------------------------|------------------|--------------|
|   |                                     | 2016             | 2015         |
| South Windsor Waste Depot                     | 2017                                | 1,529            | 1,484        |
| East Kurrajong Waste Depot                    | 2016                                | -                | 1,233        |
| <b>Balance at End of the Reporting Period</b> | 10(a)                               | <b>1,529</b>     | <b>2,717</b> |

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   | 2,717        | 4,284        |
| Reassessment of provision  | 231          | (883)        |
| Effect of a change in discount rates used in PV calculations           | -            | -            |
| Effect of a change in other calculation estimates used                 | -            | -            |
| Amortisation of discount (expensed to borrowing costs)                 | 45           | 43           |
| Expenditure incurred attributable to provisions                        | (1,465)      | (727)        |
| <b>Total - Reinstatement, rehabilitation and restoration provision</b> | <b>1,529</b> | <b>2,717</b> |

### Amount of Expected Reimbursements

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

## Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property

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 & recognised at fair values:**

| Fair values   |                          | Fair Value Measurement Hierarchy |                               |                                 |                |
|---|--------------------------|----------------------------------|-------------------------------|---------------------------------|----------------|
| 2016  |                          | Level 1                          | Level 2                       | Level 3                         | Total          |
|   | Date of latest Valuation | Quoted prices in active mkts     | Significant observable inputs | Significant unobservable inputs |                |
| <b>Recurring Fair Value Measurements</b>                    |                          |                                  |                               |                                 |                |
| <b>Investment Properties</b>                                |                          |                                  |                               |                                 |                |
| Investment Properties                                       | 30/06/2016               | -                                | -                             | 41,655                          | 41,655         |
| <b>Total Investment Properties</b>                          |                          | <b>-</b>                         | <b>-</b>                      | <b>41,655</b>                   | <b>41,655</b>  |
| <b>Infrastructure, Property, Plant &amp; Equipment</b>      |                          |                                  |                               |                                 |                |
| Plant & Equipment   | 30/06/2011               | -                                | -                             | 8,558                           | 8,558          |
| Office Equipment  | 30/06/2011               | -                                | -                             | 546                             | 546            |
| Furniture and Fittings                                      | 30/06/2011               | -                                | -                             | 237                             | 237            |
| Operational Land  | 30/06/2013               | -                                | -                             | 92,201                          | 92,201         |
| Community Land  | 30/06/2016               | -                                | -                             | 79,694                          | 79,694         |
| Land under road   | 30/06/2014               | -                                | -                             | 65,887                          | 65,887         |
| Land Improvements - non depreciable                         | 30/06/2011               | -                                | -                             | 986                             | 986            |
| Land Improvements - depreciable                             | 30/06/2011               | -                                | -                             | 761                             | 761            |
| Buildings - Non Specialised                                 | 30/06/2013               | -                                | -                             | 27,032                          | 27,032         |
| Buildings - Specialised                                     | 30/06/2013               | -                                | -                             | 50,477                          | 50,477         |
| Other Structures  | 30/06/2011               | -                                | -                             | 10,598                          | 10,598         |
| Road, Bridges, Footpaths                                    | 30/06/2015               | -                                | -                             | 390,368                         | 390,368        |
| Stormwater Drainage   | 30/06/2015               | -                                | -                             | 135,180                         | 135,180        |
| Swimming Pools and Other Open Space                         | 30/06/2011               | -                                | -                             | 1,104                           | 1,104          |
| Sewer Network   | 30/06/2015               | -                                | -                             | 79,358                          | 79,358         |
| Park Asset  | 30/06/2016               | -                                | -                             | 24,488                          | 24,488         |
| Library books, Heritage & Tip                               | 30/06/2011               | -                                | -                             | 11,634                          | 11,634         |
| <b>Total Infrastructure, Property, Plant &amp; Equipm't</b> |                          | <b>-</b>                         | <b>-</b>                      | <b>979,109</b>                  | <b>979,109</b> |



## Note 27. Fair Value Measurement (continued)

\$ '000

| 2015  |                                | Fair Value Measurement Hierarchy   |                                     |                                       | Total          |
|---|--------------------------------|------------------------------------|-------------------------------------|---------------------------------------|----------------|
|   |                                | Level 1                            | Level 2                             | Level 3                               |                |
|   | Date<br>of latest<br>Valuation | Quoted<br>prices in<br>active mkts | Significant<br>observable<br>inputs | Significant<br>unobservable<br>inputs |                |
| Recurring Fair Value Measurements                           |                                |                                    |                                     |                                       |                |
| Investment Properties                                       | 30/06/2015                     | -                                  | -                                   | 47,100                                | 47,100         |
| <b>Total Investment Properties</b>                          |                                | <b>-</b>                           | <b>-</b>                            | <b>47,100</b>                         | <b>47,100</b>  |
| Infrastructure, Property, Plant & Equipment                 |                                |                                    |                                     |                                       |                |
| Plant & Equipment   | 30/06/2011                     | -                                  | -                                   | 7,954                                 | 7,954          |
| Office Equipment  | 30/06/2011                     | -                                  | -                                   | 483                                   | 483            |
| Furniture and Fittings                                      | 30/06/2011                     | -                                  | -                                   | 251                                   | 251            |
| Operational Land  | 30/06/2013                     | -                                  | -                                   | 92,266                                | 92,266         |
| Community Land  | 30/06/2011                     | -                                  | -                                   | 70,454                                | 70,454         |
| Land under road   | 30/06/2014                     | -                                  | -                                   | 60,289                                | 60,289         |
| Land Improvements - non depreciable                         | 30/06/2011                     | -                                  | -                                   | 923                                   | 923            |
| Land Improvements - depreciable                             | 30/06/2011                     | -                                  | -                                   | 742                                   | 742            |
| Buildings - Non Specialised                                 | 30/06/2013                     | -                                  | -                                   | 26,534                                | 26,534         |
| Buildings - Specialised                                     | 30/06/2013                     | -                                  | -                                   | 51,507                                | 51,507         |
| Other Structures  | 30/06/2011                     | -                                  | -                                   | 10,285                                | 10,285         |
| Road, Bridges, Footpaths                                    | 30/06/2015                     | -                                  | -                                   | 383,681                               | 383,681        |
| Stormwater Drainage   | 30/06/2015                     | -                                  | -                                   | 124,766                               | 124,766        |
| Swimming Pools and Other Open Space                         | 30/06/2011                     | -                                  | -                                   | 1,163                                 | 1,163          |
| Heritage, Sewer, Books, Park Assets & Tip                   | 30/06/2015                     | -                                  | -                                   | 127,056                               | 127,056        |
| <b>Total Infrastructure, Property, Plant &amp; Equipm't</b> |                                | <b>-</b>                           | <b>-</b>                            | <b>958,354</b>                        | <b>958,354</b> |

### (2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

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

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

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

#### Financial Assets

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.

## Note 27. Fair Value Measurement (continued)

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### 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.

The full revaluation was conducted by Lunne Watt and Associates Pty Limited as at 30 June 2016. 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.

Council revalues investment properties every three years. The next revaluation is due during the 2018/2019 financial year.

---

### Infrastructure, Property, Plant & 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 every 5 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 every 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 roads every five years. The next revaluation is due during the 2018/2019 financial year.

#### Community Land

Council conducted the revaluation for the community land on 30 June 2016. 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 every 5 years, the next revaluation is due on 2020/2021 financial year.

## Note 27. Fair Value Measurement (continued)

\$ '000

### Sewerage Network

Council conducts indexation on asset values under this class every year and conducts a full revaluation every five years. Council engages an external, independent and qualified valuer to conduct full revaluations.

The Sewerage network was last revalued in the 2014/2015 financial year by Andrew Nock. The fair value was determined based on asset replacement cost and condition of the assets. In between full revaluations, Council applies the construction cost index rate, which is issued by the NSW Office of Water. The next full revaluation is due during the 2019/2020 financial year.

### Road, Bridges, Footpaths and Drainage

Council conducts a full revaluation of the above assets every 5 years. The last revaluation was conducted during the 2014/2015 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 s due during the 2019/2020 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.

|   | Investment<br>Properties | Plant and<br>Equipment | Office<br>Equipment | Furniture<br>and Fittings | Total          |
|---|--------------------------|------------------------|---------------------|---------------------------|----------------|
| <b>Opening Balance - 1/7/14</b>         | 34,946                   | 7,517                  | 474                 | 257                       | 43,194         |
| Transfers from/(to) another asset class | -                        | 217                    | 157                 | -                         | 374            |
| Purchases (GBV)                         | 63                       | 2,451                  | 135                 | 18                        | 2,667          |
| Disposals (WDV)                         | -                        | (999)                  | (1)                 | -                         | (1,000)        |
| Depreciation & Impairment               | -                        | (1,343)                | (102)               | (39)                      | (1,484)        |
| FV Gains - Other Comprehensive Income   | 12,091                   | -                      | -                   | -                         | 12,091         |
| PY Capitalisation                       | -                        | 111                    | 80                  | 15                        | 206            |
| Move to intangible asset                | -                        | -                      | (260)               | -                         | (260)          |
| <b>Closing Balance - 30/6/15</b>        | <b>47,100</b>            | <b>7,954</b>           | <b>483</b>          | <b>251</b>                | <b>55,788</b>  |
| Purchases (GBV)                         | -                        | 2,716                  | 46                  | 28                        | 2,790          |
| Disposals (WDV)                         | (335)                    | (939)                  | -                   | -                         | (1,274)        |
| Depreciation & Impairment               | -                        | (1,197)                | (253)               | (42)                      | (1,492)        |
| PY Capitalisation                       | 38                       | 24                     | 270                 | -                         | 332            |
| Revaluation                             | (5,148)                  | -                      | -                   | -                         | (5,148)        |
| <b>Closing Balance - 30/6/16</b>        | <b>41,655</b>            | <b>8,558</b>           | <b>546</b>          | <b>237</b>                | <b>50,996</b>  |
|   | Operational<br>Land      | Community<br>Land      | Land Under<br>Roads | Land Imp:<br>Non Depn     | Total          |
| <b>Opening Balance - 1/7/14</b>         | 92,201                   | 76,959                 | 47,396              | 711                       | 217,267        |
| Purchases (GBV)                         | 65                       | -                      | 8                   | 20                        | 93             |
| PY Capitalisation                       | -                        | -                      | -                   | 192                       | 192            |
| Adjustments to PY movements             | -                        | (6,505)                | -                   | -                         | (6,505)        |
| Non Cash Dedications                    | -                        | -                      | 12,884              | -                         | 12,884         |
| <b>Closing Balance - 30/6/15</b>        | <b>92,266</b>            | <b>70,454</b>          | <b>60,289</b>       | <b>923</b>                | <b>223,932</b> |
| Purchases (GBV)                         | -                        | 15                     | -                   | 46                        | 61             |
| Disposal                                | (381)                    | -                      | -                   | -                         | (381)          |
| PY Capitalisation                       | -                        | 20                     | -                   | 17                        | 37             |
| Adjustments                             | 316                      | (316)                  | -                   | -                         | -              |
| Adjustments to PY movements             | -                        | (2,485)                | -                   | -                         | (2,485)        |
| Revaluation                             | -                        | 12,006                 | -                   | -                         | 12,006         |
| Non Cash Dedications                    | -                        | -                      | 5,598               | -                         | 5,598          |
| <b>Closing Balance - 30/6/16</b>        | <b>92,201</b>            | <b>79,694</b>          | <b>65,887</b>       | <b>986</b>                | <b>238,768</b> |

## Note 27. Fair Value Measurement (continued)

\$ '000

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

|   | Land Imp:<br>Depreciable    | Buildings:<br>Non Spec. | Buildings:<br>Specialised | Other<br>Structures | Total          |
|---|-----------------------------|-------------------------|---------------------------|---------------------|----------------|
| <b>Opening Balance - 1/7/14</b>         | 748                         | 21,668                  | 42,391                    | 10,487              | 75,294         |
| Transfers from/(to) another asset class | 71                          | 5,277                   | 11,976                    | 620                 | 17,944         |
| Purchases (GBV)                         | 8                           | 116                     | 226                       | 136                 | 486            |
| Disposals (WDV)                         | -                           | -                       | (73)                      | (50)                | (123)          |
| Depreciation & Impairment               | (110)                       | (761)                   | (3,466)                   | (593)               | (4,930)        |
| PY Capitalisation                       | 25                          | 234                     | 453                       | 698                 | 1,410          |
| Adjustments to PY movements             | -                           | -                       | -                         | (1,013)             | (1,013)        |
| <b>Closing Balance - 30/6/15</b>        | <b>742</b>                  | <b>26,534</b>           | <b>51,507</b>             | <b>10,285</b>       | <b>89,068</b>  |
| Purchases (GBV)                         | 131                         | 764                     | 1,484                     | 687                 | 3,066          |
| Disposals (WDV)                         | -                           | (19)                    | (37)                      | (51)                | (107)          |
| Depreciation & Impairment               | (112)                       | (765)                   | (3,483)                   | (519)               | (4,879)        |
| Adjustments                             | -                           | -                       | -                         | 7                   | 7              |
| PY Capitalisation                       | -                           | 524                     | 1,017                     | 201                 | 1,742          |
| Adjustments to PY movements             | -                           | (6)                     | (11)                      | (12)                | (29)           |
| <b>Closing Balance - 30/6/16</b>        | <b>761</b>                  | <b>27,032</b>           | <b>50,477</b>             | <b>10,598</b>       | <b>88,868</b>  |
|   | Roads, Bridges<br>Footpaths | Stormwater<br>Drainage  | Swimming<br>Pools & O/S   | Other<br>Assets     | Total          |
| <b>Opening Balance - 1/7/14</b>         | 263,757                     | 94,174                  | 21,133                    | 114,357             | 493,421        |
| Transfers from/(to) another asset class | -                           | -                       | (19,911)                  | -                   | (19,911)       |
| Purchases (GBV)                         | 1,287                       | 195                     | -                         | 7,169               | 8,651          |
| Disposals (WDV)                         | -                           | -                       | -                         | (79)                | (79)           |
| Depreciation & Impairment               | (3,596)                     | (1,199)                 | (59)                      | (3,143)             | (7,997)        |
| PY Capitalisation                       | 1,281                       | -                       | -                         | 462                 | 1,743          |
| Adjustments to PY movements             | 69,556                      | 14,397                  | -                         | 1,824               | 85,777         |
| Non Cash Dedications                    | 2,766                       | -                       | -                         | 9,420               | 12,186         |
| Revaluation                             | 48,630                      | 17,200                  | -                         | (2,723)             | 63,107         |
| <b>Closing Balance - 30/6/15</b>        | <b>383,681</b>              | <b>124,766</b>          | <b>1,163</b>              | <b>127,287</b>      | <b>636,897</b> |
| Transfers from/(to) another asset class | -                           | -                       | -                         | -                   | -              |
| Purchases (GBV)                         | 8,349                       | 3,729                   | -                         | 5,093               | 17,171         |
| Disposals (WDV)                         | (17)                        | -                       | -                         | (282)               | (299)          |
| Depreciation & Impairment               | (6,370)                     | (1,839)                 | (59)                      | (3,405)             | (11,673)       |
| Adjustments                             | -                           | -                       | -                         | (7)                 | (7)            |
| PY Capitalisation                       | 4,592                       | 8,523                   | -                         | (15,188)            | (2,073)        |
| Adjustments to PY movements             | -                           | -                       | -                         | 398                 | 398            |
| Revaluation                             | 133                         | -                       | -                         | 1,584               | 1,717          |
| <b>Closing Balance - 30/6/16</b>        | <b>390,368</b>              | <b>135,180</b>          | <b>1,104</b>              | <b>115,480</b>      | <b>642,132</b> |

### (5). Highest and best use

Due to the use of facilities and open space for the provision of community services and due to the condition of some assets, not all of Council's non financial assets are being utilised at their highest and best use from a purely financial perspective.

## Note 28. Council Information and Contact Details

### Principal Place of Business

366 George Street  
WINDSOR NSW 2756

### Contact Details

#### *Mailing Address:*

PO Box 146  
WINDSOR NSW 2756

**Telephone:** (02) 4560 4444

**Facsimile:** (02) 4587 7740

### Officers

#### *ACTING GENERAL MANAGER*

Mr Laurie Mifsud

#### *RESPONSIBLE ACCOUNTING OFFICER*

Ms Emma Galea

#### *PUBLIC OFFICER*

Mr Laurie Mifsud

#### *AUDITORS*

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

### Other Information

ABN: 54 659 038 834

### Opening Hours

8:30am to 5pm  
Monday to Friday

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

Email: [council@hawkesbury.nsw.gov.au](mailto:council@hawkesbury.nsw.gov.au)

### Elected Members for the 2015/2016 Financial Year

#### *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



## **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 accompanying financial statements of Hawkesbury City Council (the Council), which comprise the Statement of Financial Position as at 30 June 2016 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, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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**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 at 30 June 2016 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Marc Upcroft'.

Marc Upcroft  
Partner

Sydney  
28 October 2016





The Mayor  
Councillor Mary Lyons-Buckett  
Hawkesbury City Council  
DX 8601  
WINDSOR

Dear Councillor Lyons-Buckett

### **Report on the conduct of the Audit for year ended 30 June 2016 – Section 417(3)**

We have completed our audit of the financial reports of the Council for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act 1993.

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

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

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

#### ***Operating result***

Council's operating surplus declined from \$38 million in the previous year to \$6 million in the current period. The net operating result before Capital Contributions was a deficit of \$12 million against the previous year's surplus of \$8 million.

#### ***Cash position***

Council's overall cash position declined from \$46 million to \$44 million during the period under review. The following table highlights the composition of cash.

|                       | 2015<br>\$m | 2016<br>\$m |
|-----------------------|-------------|-------------|
| Externally restricted | 14          | 14          |
| Internally restricted | 24          | 23          |
| Unrestricted          | 8           | 7           |
| <b>Total</b>          | <b>46</b>   | <b>44</b>   |

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### ***Working capital***

Council's net current assets improved from \$33 million to \$36 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

|                                   | <b>2015</b> | <b>2016</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>\$m</b>  | <b>\$m</b>  |
| Net current assets                | 33          | 35          |
| Less: External restrictions       | (14)        | (14)        |
| Internal restrictions             | (24)        | (23)        |
| Add: Current liabilities deferred | 7           | 6           |
| <b>Available working capital</b>  | <b>2</b>    | <b>4</b>    |

The effective unrestricted or available working capital upon which Council could build its 2017 budget was \$5 million.

### ***Performance indicators***

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

|                                    | <b>2015</b> | <b>2016</b> |
|------------------------------------|-------------|-------------|
|                                    | <b>%</b>    | <b>%</b>    |
| Operating Performance Ratio        | (7)         | (10)        |
| Own Source Operating Revenue Ratio | 60          | 70          |
| Unrestricted Current Ratio         | 356         | 423         |
| Debt Service Cover Ratio           | 844         | 961         |
| Rates Outstanding Ratio            | 5.5         | 5.4         |
| Cash Expense Cover Ratio           | 10          | 8           |

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

The Own Source Operating Revenue Ratio improved to remain above the industry benchmark of 60%.

The Unrestricted Current Ratio improved to remain above the industry benchmark of 150%.

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

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

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 8 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 Acting General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers", written in a cursive style.

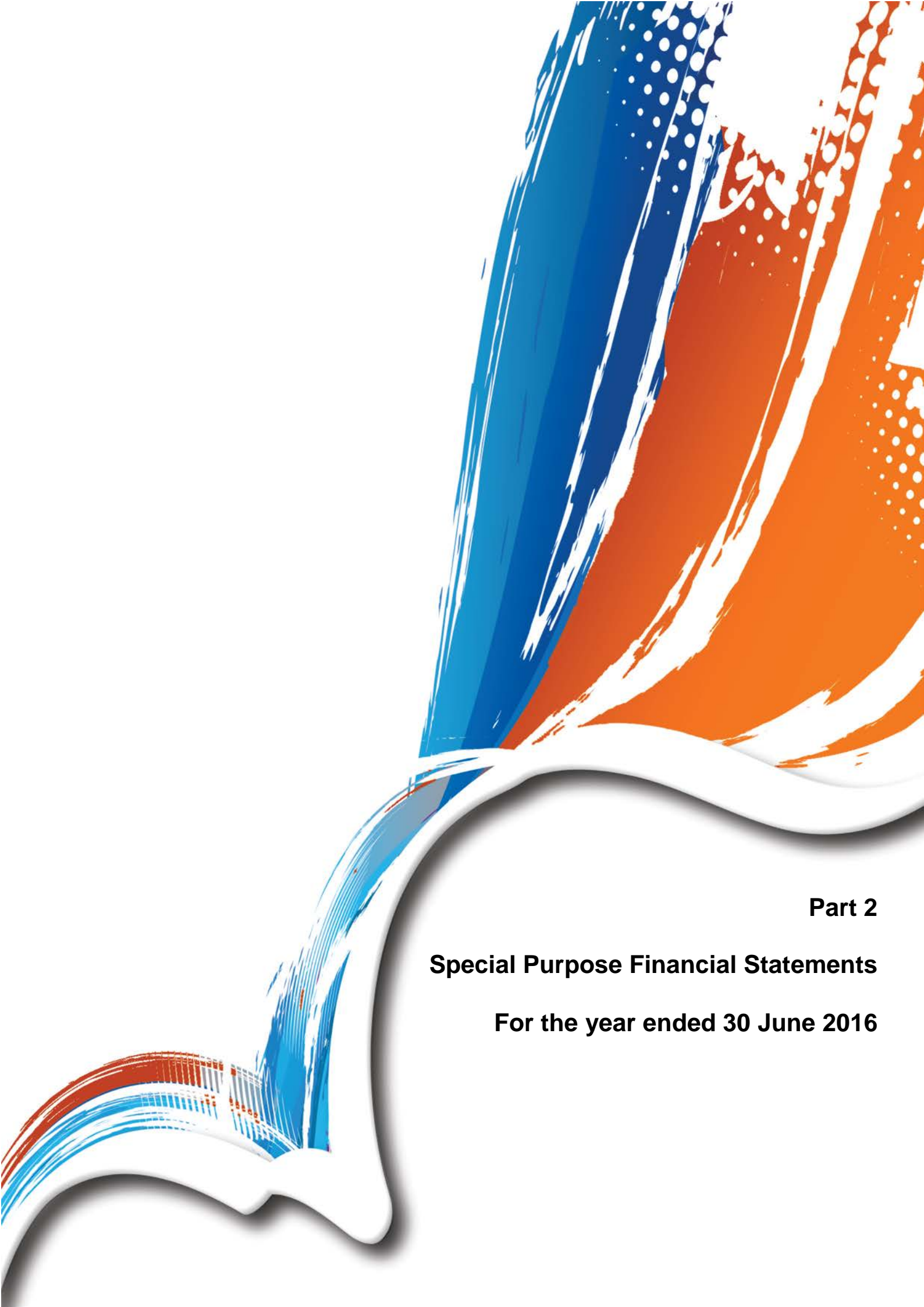
PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read "Marc Upcroft", written in a cursive style.

Marc Upcroft  
Partner

Sydney  
28 October 2016





## **Part 2**

### **Special Purpose Financial Statements**

**For the year ended 30 June 2016**



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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 & 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).



**Special Purpose Financial Statements**  
for the financial year ended 30 June 2016

**Statement by Councillors and Management**

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

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

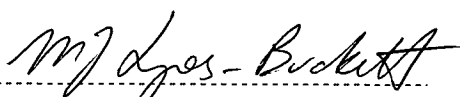
- The NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*.
- The Division of Local Government guidelines *"Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"*.
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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 the Statements false or misleading in any way.**

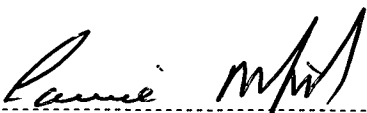
**Signed in accordance with a resolution of Council made on 11 October 2016.**



Councillor Mary Lyons-Buckett, Mayor



Councillor Barry Calvert, Deputy Mayor



Laurie Mifsud, Acting General Manager



Emma Galea, Responsible Accounting Officer

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2016

| \$ '000  | Actual<br>2016 | Actual<br>2015 |
|--|----------------|----------------|
| <b>Income from continuing operations</b>                                   |                |                |
| Access charges   | 5,382          | 4,855          |
| User charges   | 1,019          | 741            |
| Interest   | 65             | 51             |
| Grants and contributions provided for non capital purposes                 | 41             | 40             |
| Profit from the sale of assets   | -              | 8              |
| Other income   | 19             | 47             |
| <b>Total income from continuing operations</b>                             | <b>6,526</b>   | <b>5,742</b>   |
| <b>Expenses from continuing operations</b>                                 |                |                |
| Employee benefits and on-costs   | 1,444          | 1,545          |
| Materials and contracts  | 2,489          | 1,685          |
| Depreciation and impairment  | 2,202          | 1,721          |
| Calculated taxation equivalents  | 60             | 46             |
| Loss on sale of assets   | 19             | -              |
| Unwinding of interest free loan  | 108            | 126            |
| Other expenses   | 1,339          | 1,065          |
| <b>Total expenses from continuing operations</b>                           | <b>7,661</b>   | <b>6,188</b>   |
| <b>Surplus (deficit) from Continuing Operations before capital amounts</b> | <b>(1,135)</b> | <b>(446)</b>   |
| Grants and contributions provided for capital purposes                     | 451            | 194            |
| <b>Surplus (deficit) from Continuing Operations after capital amounts</b>  | <b>451</b>     | <b>194</b>     |
| Surplus (deficit) from discontinued operations                             | -              | -              |
| <b>Surplus (deficit) from ALL Operations before tax</b>                    | <b>(684)</b>   | <b>(252)</b>   |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | -              | -              |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(684)</b>   | <b>(252)</b>   |
| plus Opening Retained Profits  | 37,839         | 38,935         |
| plus/less: Prior Period Adjustments  | 155            | -              |
| plus adjustments for amounts unpaid:                                       |                |                |
| - Taxation equivalent payments   | 60             | 46             |
| Less:  |                |                |
| - Tax equivalent dividend paid   | (60)           | (46)           |
| <b>Closing Retained Profits</b>  | <b>37,310</b>  | <b>38,683</b>  |
| Return on Capital %  | -1.2%          | -0.4%          |
| Subsidy from Council   | 2,684          | 2,838          |
| Calculation of dividend payable:   |                |                |
| Surplus (deficit) after tax  | (684)          | (252)          |
| less: Capital grants and contributions (excluding developer contributions) | -              | -              |
| <b>Surplus for dividend calculation purposes</b>                           | <b>-</b>       | <b>-</b>       |
| <b>Potential Dividend calculated from surplus</b>                          | <b>-</b>       | <b>-</b>       |

Statement of Financial Position - Council's Sewerage Business Activity  
as at 30 June 2016

| \$ '000                                       | Actual<br>2016 | Actual<br>2015 |
|---|----------------|----------------|
| <b>ASSETS</b>                                 |                |                |
| <b>Current Assets</b>                         |                |                |
| Cash and cash equivalents                     | 2,535          | 2,695          |
| Receivables                                   | 409            | 259            |
| <b>Total Current Assets</b>                   | <b>2,944</b>   | <b>2,954</b>   |
| <b>Non-Current Assets</b>                     |                |                |
| Infrastructure, property, plant and equipment | 83,251         | 83,367         |
| Investment property                           | 75             | 75             |
| <b>Total non-Current Assets</b>               | <b>83,326</b>  | <b>83,442</b>  |
| <b>TOTAL ASSETS</b>                           | <b>86,270</b>  | <b>86,396</b>  |
| <b>LIABILITIES</b>                            |                |                |
| <b>Current Liabilities</b>                    |                |                |
| Interest bearing liabilities                  | 108            | 126            |
| Provisions                                    | 288            | 283            |
| <b>Total Current Liabilities</b>              | <b>396</b>     | <b>409</b>     |
| <b>Non-Current Liabilities</b>                |                |                |
| Interest bearing liabilities                  | 1,262          | 1,536          |
| Provisions                                    | 58             | 108            |
| <b>Total Non-Current Liabilities</b>          | <b>1,320</b>   | <b>1,644</b>   |
| <b>TOTAL LIABILITIES</b>                      | <b>1,716</b>   | <b>2,053</b>   |
| <b>NET ASSETS</b>                             | <b>84,554</b>  | <b>84,343</b>  |
| <b>EQUITY</b>                                 |                |                |
| Retained earnings                             | 37,310         | 38,683         |
| Revaluation reserves                          | 47,244         | 45,660         |
| Council equity interest                       | 84,554         | 84,343         |
| Non-controlling equity interest               | -              | -              |
| <b>TOTAL EQUITY</b>                           | <b>84,554</b>  | <b>84,343</b>  |



## Notes accompanying the Financial Statements

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## Note 1. Significant Accounting Policies

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

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) and
- 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 & 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 \$432,000 of combined land values attracts 0%. From \$432,001 to \$2,641,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,641,000, 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. No adjustments have been made for variations that have occurred during the year.

#### *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 2.00% at 30 June 2016.

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 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 2016 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)

2016

#### 1. Calculation and Payment of Tax-Equivalents

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

|       |  |        |
|-------|--|--------|
| (i)   | Calculated Tax Equivalents                                   | 60,000 |
| (ii)  | No of assessments multiplied by \$3/assessment               | 23,583 |
| (iii) | Amounts payable for Tax Equivalents [lesser of (i) and (ii)] | 23,583 |
| (iv)  | Amounts actually paid for Tax Equivalents                    | 37,669 |

#### 2. Dividend from Surplus

|       |  |             |
|-------|--|-------------|
| (i)   | 50% of Surplus before Dividends<br>[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)   | 188,664     |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 & 30 June 2014 | (1,045,000) |

|              |           |               |           |               |           |
|--------------|-----------|---------------|-----------|---------------|-----------|
| 2016 Surplus | (684,000) | 2015 Surplus  | (252,000) | 2014 Surplus  | (109,000) |
|              |           | 2015 Dividend | -         | 2014 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<br>[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   | YES |
|       | b. Complete and implement Integrated Water Cycle Management Strategy  | YES |

### Note 3. Sewerage Business

#### Best Practice Management disclosure requirements (continued)

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

2016

#### National Water Initiative (NWI) Financial Performance Indicators

|                |   |        |        |
|----------------|---|--------|--------|
| <b>NWI F2</b>  | Total Revenue (Sewerage)<br>Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)<br>- Aboriginal Communities W&S Program Income (w10a)  | \$'000 | 6,826  |
| <b>NWI F10</b> | Written Down Replacement Cost of Fixed Assets (Sewerage)<br>Written down current cost of system assets (s48)  | \$'000 | 82,531 |
| <b>NWI F12</b> | Operating Cost (Sewerage)<br>Management Expenses (s1) + Operational & Maintenance Expenses (s2)   | \$'000 | 5,293  |
| <b>NWI F15</b> | Capital Expenditure (Sewerage)<br>Acquisition of Fixed Assets (s17)   | \$'000 | 613    |
| <b>NWI F18</b> | Economic Real Rate of Return (Sewerage)<br>[Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a)<br>- Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by<br>[Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)] | %      | 0.80%  |
| <b>NWI F27</b> | Capital Works Grants (Sewerage)<br>Grants for the Acquisition of Assets (12a)   | \$'000 | -      |

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

|                |   |        |        |
|----------------|---|--------|--------|
| <b>NWI F3</b>  | Total Income (Water & Sewerage)<br>Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15)<br>minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)  | \$'000 | 6,807  |
| <b>NWI F8</b>  | Revenue from Community Service Obligations (Water & Sewerage)<br>Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)   | %      | 0.59%  |
| <b>NWI F16</b> | Capital Expenditure (Water & Sewerage)<br>Acquisition of Fixed Assets (w16 + s17)   | \$'000 | 613    |
| <b>NWI F19</b> | Economic Real Rate of Return (Water & Sewerage)<br>[Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets<br>(w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100<br>divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10)<br>+ Plant & equipment (w33b + s34b)] | %      | -0.80% |
| <b>NWI F20</b> | Dividend (Water & Sewerage)<br>Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)   | \$'000 | -      |
| <b>NWI F21</b> | Dividend Payout Ratio (Water & Sewerage)<br>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)

2016

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

|                |  |        |       |
|----------------|--|--------|-------|
| <b>NWI F22</b> | Net Debt to Equity (Water & Sewerage)<br>Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31)<br>x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]  | %      | 0.14% |
| <b>NWI F23</b> | Interest Cover (Water & Sewerage)<br>Earnings before Interest & Tax (EBIT) divided by Net Interest<br><br>Earnings before Interest & Tax (EBIT):<br>Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10)<br>- Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)<br><br>Net Interest:<br>Interest Expense (w4a + s4a) - Interest Income (w9 + s10) |        | >100  |
| <b>NWI F24</b> | Net Profit After Tax (Water & Sewerage)<br>Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))   | \$'000 | (744) |
| <b>NWI F25</b> | Community Service Obligations (Water & Sewerage)<br>Grants for Pensioner Rebates (w11b + s12b)   | \$'000 | 40    |

- 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.



## **Hawkesbury City Council**

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

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

We have audited the accompanying financial statements, being the special purpose financial statements, of Hawkesbury City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2016, the Income Statements by Business Activity for the year then ended, notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2016.

#### *Councillors' responsibility for the financial report*

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

#### *Auditor's responsibility*

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

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

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

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

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T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

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*Auditor's opinion:*

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of Hawkesbury City Council as of 30 June 2016 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

*Basis of Accounting and Restriction on Distribution and Use*

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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

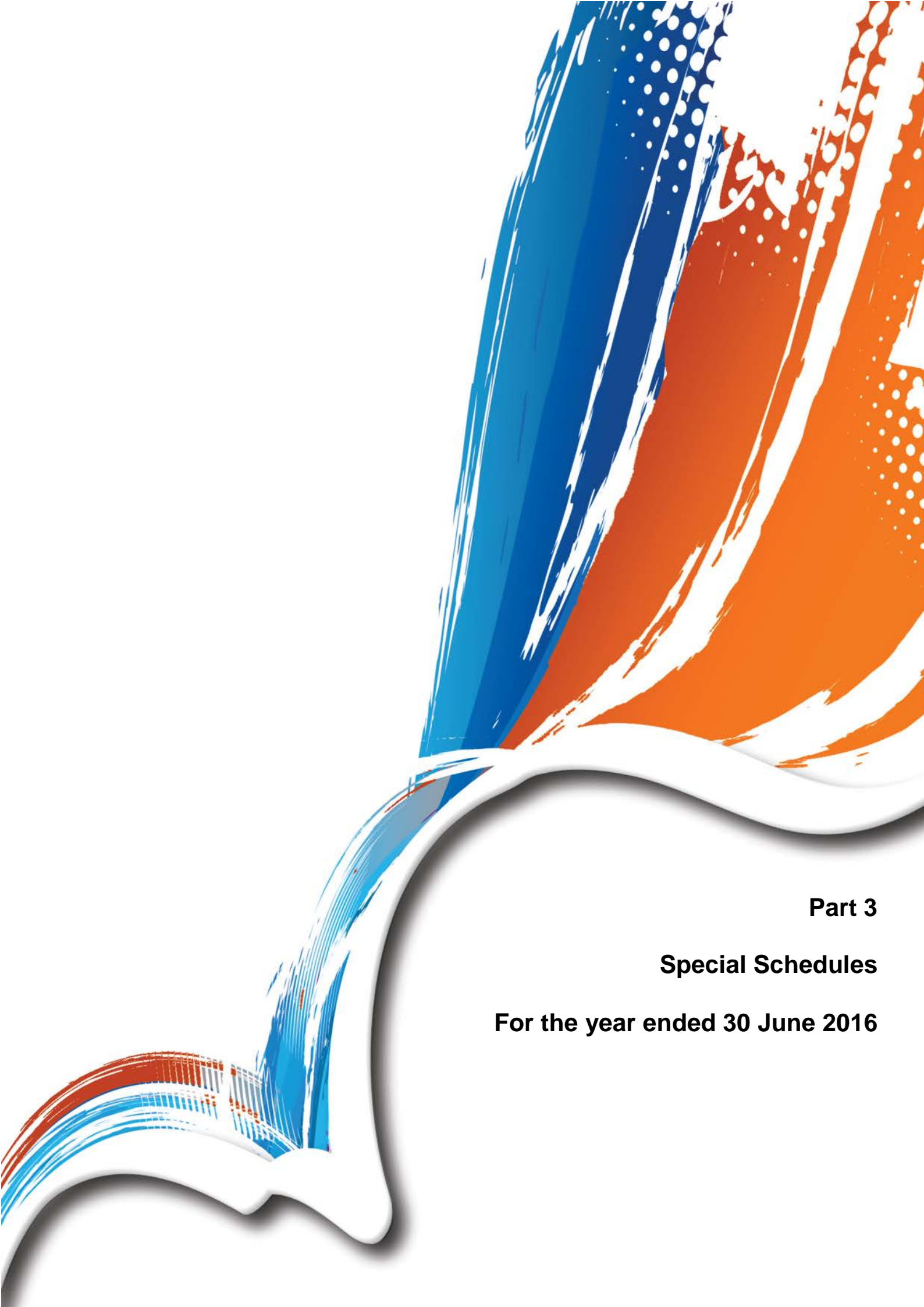
PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Marc Upcroft', written in a cursive style.

Marc Upcroft  
Partner

Sydney  
28 October 2016





**Part 3**

**Special Schedules**

**For the year ended 30 June 2016**



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<sup>1</sup> 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)
  - 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
  - the monitoring of the financial activities of specific services.

Special Schedule No. 1 - Net Cost of Services  
for the financial year ended 30 June 2016

\$'000

| Function or Activity                                   | Expenses from Continuing Operations | Income from continuing operations |              | Net Cost of Services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
|  |                                     | Non Capital                       | Capital      |                      |
| <b>Governance</b>                                      | <b>386</b>                          | <b>9</b>                          | <b>-</b>     | <b>(377)</b>         |
| <b>Administration</b>                                  | <b>9,785</b>                        | <b>2,346</b>                      | <b>232</b>   | <b>(7,207)</b>       |
| <b>Public Order and Safety</b>                         |                                     |                                   |              |                      |
| Fire Service Levy, Fire Protection, Emergency Services | 2,418                               | 458                               | 187          | (1,773)              |
| Enforcement of Local Govt. Regulations                 | 564                                 | 158                               | -            | (406)                |
| Animal Control   | 1,050                               | 746                               | -            | (304)                |
| Other  | 554                                 | 589                               | -            | 35                   |
| <b>Total Public Order &amp; Safety</b>                 | <b>4,586</b>                        | <b>1,951</b>                      | <b>187</b>   | <b>(2,448)</b>       |
| <b>Health</b>  | <b>790</b>                          | <b>496</b>                        | <b>-</b>     | <b>(294)</b>         |
| <b>Environment</b>                                     |                                     |                                   |              |                      |
| Noxious Plants and Insect/Vermin Control               | 831                                 | 129                               | -            | (702)                |
| Solid Waste Management                                 | 10,855                              | 10,855                            | -            | -                    |
| Street Cleaning  | 507                                 | -                                 | -            | (507)                |
| Drainage   | 2,867                               | 28                                | -            | (2,839)              |
| Stormwater Management                                  | 109                                 | -                                 | -            | (109)                |
| <b>Total Environment</b>                               | <b>15,169</b>                       | <b>11,012</b>                     | <b>-</b>     | <b>(4,157)</b>       |
| <b>Community Services and Education</b>                |                                     |                                   |              |                      |
| Administration & Education                             | 832                                 | 41                                | 50           | (741)                |
| Social protection (welfare)                            | 43                                  | 43                                | -            | -                    |
| Aged Persons & Disabled                                | 109                                 | 55                                | -            | (54)                 |
| Childrens' Services                                    | 49                                  | 39                                | -            | (10)                 |
| <b>Total Community Services &amp; Education</b>        | <b>1,033</b>                        | <b>178</b>                        | <b>50</b>    | <b>(805)</b>         |
| <b>Housing and Community Amenities</b>                 |                                     |                                   |              |                      |
| Public Cemeteries                                      | 206                                 | 250                               | -            | 44                   |
| Street Lighting  | 629                                 | 158                               | -            | (471)                |
| Town Planning  | 1,415                               | 1,846                             | -            | 431                  |
| Other Community Amenities                              | 39                                  | -                                 | 4,825        | 4,786                |
| <b>Total Housing and Community Amenities</b>           | <b>2,289</b>                        | <b>2,254</b>                      | <b>4,825</b> | <b>4,790</b>         |
| <b>Sewerage Services</b>                               | <b>8,664</b>                        | <b>7,959</b>                      | <b>451</b>   | <b>(254)</b>         |
| <b>Recreation and Culture</b>                          |                                     |                                   |              |                      |
| Public Libraries                                       | 2,439                               | 157                               | 145          | (2,137)              |
| Museums  | 461                                 | 58                                | -            | (403)                |
| Art Gallery  | 564                                 | 59                                | -            | (505)                |
| Community centres and halls                            | 104                                 | 104                               | -            | -                    |
| Sporting Grounds and Venues                            | 138                                 | 143                               | -            | 5                    |
| Swimming Pools   | 1,142                               | 199                               | -            | (943)                |
| Parks & Gardens (Lakes)                                | 7,080                               | (35)                              | 1,083        | (6,032)              |
| Other Sport and Recreation                             | 413                                 | 14                                | -            | (399)                |
| <b>Total Recreation and Culture</b>                    | <b>12,341</b>                       | <b>699</b>                        | <b>1,228</b> | <b>(10,414)</b>      |
| <b>Fuel &amp; Energy</b>                               | <b>1,153</b>                        | <b>57</b>                         | <b>-</b>     | <b>(1,096)</b>       |

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2016

\$'000

| Function or Activity   | Expenses from Continuing Operations | Income from continuing operations |               | Net Cost of Services |
|--|-------------------------------------|-----------------------------------|---------------|----------------------|
|  |                                     | Non Capital                       | Capital       |                      |
| <b>Mining, Manufacturing and Construction</b>                            |                                     |                                   |               | -                    |
| Building control   | 663                                 | 556                               | -             | (107)                |
| <b>Transport and Communication</b>                                       |                                     |                                   |               |                      |
| Urban Roads (UR) - Local   | 4,467                               | 1,681                             | 11,308        | 8,522                |
| Urban Roads - Regional   | 1,926                               | 720                               | -             | (1,206)              |
| Sealed Rural Roads (SRR) - Local   | 2,978                               | -                                 | -             | (2,978)              |
| Sealed Rural Roads (SRR) - Regional                                      | 1,284                               | -                                 | -             | (1,284)              |
| Unsealed Rural Roads (URR) - Local                                       | 2,381                               | -                                 | -             | (2,381)              |
| Bridges on SRR - Local   | 44                                  | -                                 | -             | (44)                 |
| Parking Areas  | 61                                  | (5)                               | -             | (66)                 |
| Footpaths  | 48                                  | -                                 | -             | (48)                 |
| Other Transport & Communication  | 3,191                               | 820                               | 6             | (2,366)              |
| <b>Total Transport and Communication</b>                                 | <b>16,380</b>                       | <b>3,216</b>                      | <b>11,314</b> | <b>(1,851)</b>       |
| <b>Economic Affairs</b>  | <b>6,575</b>                        | <b>1,981</b>                      | -             | <b>(4,594)</b>       |
| <b>Totals – Functions</b>  | <b>79,814</b>                       | <b>32,714</b>                     | <b>18,287</b> | <b>(28,814)</b>      |
| <b>General Purpose Revenues</b> <sup>(2)</sup>                           |                                     | <b>34,842</b>                     | -             | <b>34,842</b>        |
| Share of interests - joint ventures & associates using the equity method | -                                   | 284                               | -             | 284                  |
| <b>NET OPERATING RESULT</b> <sup>(1)</sup>                               | <b>79,814</b>                       | <b>67,840</b>                     | <b>18,287</b> | <b>6,312</b>         |

(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 2016

\$'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        |
| <b>Loans (by Source)</b>    |  |              |              |                                  |                                 |               |                            |                              |  |              |              |
| Other State Government      | 400  | 993          | 1,393        | -                                | 400                             | -             | -                          | -                            | 400  | 593          | 993          |
| Financial Institutions      | 456  | 3,979        | 4,435        | -                                | 450                             | -             | -                          | 245                          | 484  | 3,502        | 3,986        |
| <b>Total Loans</b>          | <b>856</b>                                     | <b>4,972</b> | <b>5,828</b> | <b>-</b>                         | <b>850</b>                      | <b>-</b>      | <b>-</b>                   | <b>245</b>                   | <b>884</b>                                   | <b>4,095</b> | <b>4,979</b> |
| <b>Other Long Term Debt</b> |  |              |              |                                  |                                 |               |                            |                              |  |              |              |
| Ratepayers Advances         | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -            | -            |
| Government Advances         | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -            | -            |
| Finance Leases              | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -            | -            |
| Deferred Payments           | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -            | -            |
| <b>Total Long Term Debt</b> | <b>-</b>                                       | <b>-</b>     | <b>-</b>     | <b>-</b>                         | <b>-</b>                        | <b>-</b>      | <b>-</b>                   | <b>-</b>                     | <b>-</b>                                     | <b>-</b>     | <b>-</b>     |
| <b>Total Debt</b>           | <b>856</b>                                     | <b>4,972</b> | <b>5,828</b> | <b>-</b>                         | <b>850</b>                      | <b>-</b>      | <b>-</b>                   | <b>245</b>                   | <b>884</b>                                   | <b>4,095</b> | <b>4,979</b> |

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 2016

|   | Actuals<br>2016 | Actuals<br>2015 |
|---|-----------------|-----------------|
| <b>\$'000</b>   |                 |                 |
| <b>A Expenses and Income</b>  |                 |                 |
| <b>Expenses</b>   |                 |                 |
| <b>1. Management expenses</b>   |                 |                 |
| a. Administration   | 560             | 542             |
| b. Engineering and Supervision  | 1,541           | 1,528           |
| <b>2. Operation and Maintenance expenses</b>  |                 |                 |
| <b>- Mains</b>  |                 |                 |
| a. Operation expenses   | 993             | 1,068           |
| b. Maintenance expenses   | 12              | -               |
| <b>- Pumping Stations</b>   |                 |                 |
| c. Operation expenses (excluding energy costs)  | -               | -               |
| d. Energy costs   | 75              | 84              |
| e. Maintenance expenses   | 600             | 101             |
| <b>- Treatment</b>  |                 |                 |
| f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs) | 587             | 263             |
| g. Chemical costs   | 96              | 90              |
| h. Energy costs   | 252             | 286             |
| i. Effluent Management  | 519             | 309             |
| j. Biosolids Management   | -               | -               |
| k. Maintenance expenses   | 12              | 12              |
| <b>- Other</b>  |                 |                 |
| l. Operation expenses   | 46              | 27              |
| m. Maintenance expenses   | -               | -               |
| <b>3. Depreciation expenses</b>   |                 |                 |
| a. System assets  | 2,145           | 1,663           |
| b. Plant and equipment  | 56              | 58              |
| <b>4. Miscellaneous expenses</b>  |                 |                 |
| 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)  | 38              | 30              |
| <b>5. Total expenses</b>  | <b>7,532</b>    | <b>6,061</b>    |

## 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 2016

| \$'000   | Actuals<br>2016 | Actuals<br>2015 |
|--|-----------------|-----------------|
| <b>Income</b>  |                 |                 |
| <b>6. Residential charges</b> (including rates)                      | 4,321           | 3,901           |
| <b>7. Non-residential charges</b>                                    |                 |                 |
| a. Access (including rates)  | 27              | 23              |
| b. Usage charges   | 1,034           | 931             |
| <b>8. Trade Waste Charges</b>  |                 |                 |
| a. Annual Fees   | 1,002           | 715             |
| b. Usage charges   | -               | -               |
| c. Excess mass charges   | -               | -               |
| d. Re-inspection fees  | -               | -               |
| <b>9. Extra charges</b>  | 23              | 21              |
| <b>10. Interest income</b>   | 41              | 29              |
| <b>11. Other income</b>  | (72)            | (53)            |
| <b>11a. Aboriginal Communities Water &amp; Sewerage Program</b>      |                 | -               |
| <b>12. Grants</b>  |                 |                 |
| a. Grants for acquisition of assets                                  | -               | -               |
| b. Grants for pensioner rebates                                      | 40              | 40              |
| c. Other grants  | -               | -               |
| <b>13. Contributions</b>   |                 |                 |
| a. Developer charges   | 451             | 194             |
| b. Developer provided assets   | -               | -               |
| c. Other contributions   | -               | -               |
| <b>14. Total income</b>  | <b>6,867</b>    | <b>5,801</b>    |
| <b>15. Gain (or loss) on disposal of assets</b>                      | (19)            | 8               |
| <b>16. Operating Result</b>  | <b>(684)</b>    | <b>(252)</b>    |
| <b>16a. Operating Result (less grants for acquisition of assets)</b> | (684)           | (252)           |

## 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 2016

| \$'000   | Actuals<br>2016 | Actuals<br>2015 |
|--|-----------------|-----------------|
| <b>B Capital transactions</b>                                      |                 |                 |
| <b>Non-operating expenditures</b>                                  |                 |                 |
| <b>17. Acquisition of Fixed Assets</b>                             |                 |                 |
| a. New Assets for Improved Standards                               | 164             | -               |
| b. New Assets for Growth   | 86              | -               |
| c. Renewals  | 212             | 296             |
| d. Plant and equipment   | 151             | 56              |
| <b>18. Repayment of debt</b>                                       |                 |                 |
| a. Loans   | 400             | 400             |
| b. Advances  | -               | -               |
| c. Finance leases  | -               | -               |
| <b>19. Transfer to sinking fund</b>                                | -               | -               |
| <b>20. Totals</b>  | <b>1,013</b>    | <b>752</b>      |
| <b>Non-operating funds employed</b>                                |                 |                 |
| <b>21. Proceeds from disposal of assets</b>                        | 94              | 61              |
| <b>22. Borrowing utilised</b>                                      |                 |                 |
| a. Loans   | -               | -               |
| b. Advances  | -               | -               |
| c. Finance leases  | -               | -               |
| <b>23. Transfer from sinking fund</b>                              | -               | -               |
| <b>24. Totals</b>  | <b>94</b>       | <b>61</b>       |
| <b>C Rates and charges</b>   |                 |                 |
| <b>25. Number of assessments</b>                                   |                 |                 |
| a. Residential (occupied)  | 6,890           | 6,870           |
| b. Residential (unoccupied, ie. vacant lot)                        | 42              | 44              |
| c. Non-residential (occupied)                                      | 873             | 871             |
| d. Non-residential (unoccupied, ie. vacant lot)                    | 56              | 55              |
| <b>26. Number of ETs for which developer charges were received</b> | 56 ET           | 23 ET           |
| <b>27. Total amount of pensioner rebates (actual dollars)</b>      | \$ 239,460      | \$ 209,429      |



## Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2016

| \$'000  | Yes                          | No                       | Amount                         |
|---|------------------------------|--------------------------|--------------------------------|
| <b>D Best practice annual charges and developer charges*</b>  |                              |                          |                                |
| <b>28. Annual charges</b>   |                              |                          |                                |
| a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?  | <input type="checkbox"/> YES | <input type="checkbox"/> |                                |
| If Yes, go to 29a.  |                              |                          |                                |
| If No, please report if council has removed <b>land value</b> from access charges (ie rates)?   |                              |                          |                                |
|   | <input type="checkbox"/>     | <input type="checkbox"/> |                                |
| <b>NB.</b> 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" value="-"/> |
| c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)  |                              |                          | <input type="text" value="-"/> |
| <b>29. Developer charges</b>  |                              |                          |                                |
| 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 2012/13 (page 47 of Guidelines)  |                              |                          | <input type="text" value="-"/> |
| ** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.  |                              |                          |                                |
| <b>30. Disclosure of cross-subsidies</b>  |                              |                          |                                |
| <b>Total of cross-subsidies (28b + 28c + 29b)</b>   |                              |                          | <input type="text" value="-"/> |
| <p>* Councils which have not yet implemented best practice sewer pricing &amp; liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.</p> <p>However, disclosure of cross-subsidies is <b>not</b> 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 2016

| \$'000  | Actuals<br>Current | Actuals<br>Non Current | Actuals<br>Total |
|---|--------------------|------------------------|------------------|
| <b>ASSETS</b>   |                    |                        |                  |
| <b>Cash and investments</b>                                       |                    |                        |                  |
| a. Developer charges  | -                  | -                      | -                |
| b. Special purpose grants   | 336                | -                      | 336              |
| c. Accrued leave  | -                  | -                      | -                |
| d. Unexpended loans   | 43                 | -                      | 43               |
| e. Sinking fund   | -                  | -                      | -                |
| f. Other  | 2,156              | -                      | 2,156            |
| <b>32. Receivables</b>  |                    |                        |                  |
| a. Specific purpose grants  | -                  | -                      | -                |
| b. Rates and Availability Charges                                 | 409                | -                      | 409              |
| c. User Charges   | -                  | -                      | -                |
| d. Other  | -                  | -                      | -                |
| <b>33. Inventories</b>  | -                  | -                      | -                |
| <b>34. Property, plant and equipment</b>                          |                    |                        |                  |
| a. System assets  | -                  | 82,531                 | 82,531           |
| b. Plant and equipment  | -                  | 720                    | 720              |
| <b>35. Other assets</b>   | -                  | 75                     | 75               |
| <b>36. Total Assets</b>   | <b>2,944</b>       | <b>83,326</b>          | <b>86,270</b>    |
| <b>LIABILITIES</b>  |                    |                        |                  |
| <b>37. Bank overdraft</b>   |                    |                        | -                |
| <b>38. Creditors</b>  |                    |                        | -                |
| <b>39. Borrowings</b>   |                    |                        |                  |
| a. Loans  | 108                | 1,262                  | 1,370            |
| b. Advances   | -                  | -                      | -                |
| c. Finance leases   | -                  | -                      | -                |
| <b>40. Provisions</b>   |                    |                        |                  |
| a. Tax equivalents  | -                  | -                      | -                |
| b. Dividend   | -                  | -                      | -                |
| c. Other  | 288                | 58                     | 346              |
| <b>41. Total Liabilities</b>                                      | <b>396</b>         | <b>1,320</b>           | <b>1,716</b>     |
| <b>42. NET ASSETS COMMITTED</b>                                   | <b>2,548</b>       | <b>82,006</b>          | <b>84,554</b>    |
| <b>EQUITY</b>   |                    |                        |                  |
| <b>42. Accumulated surplus</b>                                    |                    |                        | 37,310           |
| <b>44. Asset revaluation reserve</b>                              |                    |                        | 47,244           |
| <b>45. TOTAL EQUITY</b>   |                    |                        | <b>84,554</b>    |
| <b>Note to system assets:</b>                                     |                    |                        |                  |
| <b>46. Current replacement cost of system assets</b>              |                    |                        | 168,475          |
| <b>47. Accumulated current cost depreciation of system assets</b> |                    |                        | (85,944)         |
| <b>48. Written down current cost of system assets</b>             |                    |                        | <b>82,531</b>    |

## Notes to Special Schedule No.'s 3 and 5

### Administration <sup>(1)</sup>

(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.

**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,PP&E decreases in FV.

**Impairment Losses** (item 4d & 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.

### Engineering and supervision <sup>(1)</sup>

(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.

**Residential charges** <sup>(2)</sup> (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** <sup>(2)</sup> (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 7 – Report on Infrastructure Assets as at 30 June 2016

as at 30 June 2016

\$'000

| Asset Class | Asset Category                           | Estimated cost to bring assets to satisfactory standard <sup>1</sup> | 2015/16 Required Maintenance <sup>2</sup> | 2015/16 Actual Maintenance <sup>3</sup> | Carrying Value | Gross Replacement Cost (GRC) | Assets in condition as a percentage of gross replacement cost |              |              |             |             |
|-------------|--|--|---|---|----------------|------------------------------|---|--------------|--------------|-------------|-------------|
|             |  |  |   |   |                |                              | 1   | 2            | 3            | 4           | 5           |
|             |  |  |   |   |                |                              |   |              |              |             |             |
| Buildings   | Council Offices / Administration Centres | 21   | 620                                       | 545                                     | 7,399          | 14,612                       | 2.9%  | 12.3%        | 84.7%        | 0.1%        | 0.1%        |
|             | Council Works Depot                      | 4  | 190                                       | 167                                     | 2,157          | 7,041                        | 2.2%  | 2.1%         | 95.5%        | 0.2%        | 0.0%        |
|             | Council Public Halls                     | 198  | 284                                       | 250                                     | 16,880         | 25,185                       | 10.1%   | 2.8%         | 84.8%        | 2.3%        | 0.0%        |
|             | Libraries                                | 25   | 171                                       | 150                                     | 8,160          | 13,178                       | 1.7%  | 11.2%        | 85.6%        | 0.2%        | 1.3%        |
|             | Cultural Facilities                      | -  | 57  | 50                                      | 3,877          | 6,005                        | 0.5%  | 5.4%         | 94.1%        | 0.0%        | 0.0%        |
|             | Other Buildings                          | 210  | 91  | 80                                      | 5,961          | 11,821                       | 0.8%  | 1.9%         | 96.7%        | 0.7%        | 0.0%        |
|             | Council Houses                           | 68   | 20  | 18                                      | 796            | 4,711                        | 0.3%  | 1.8%         | 94.7%        | 3.2%        | 0.0%        |
|             | Child Care Centres                       | 2  | 117                                       | 103                                     | 6,566          | 14,211                       | 0.3%  | 2.6%         | 97.0%        | 0.1%        | 0.0%        |
|             | Amenities/Toilets                        | 69   | 219                                       | 193                                     | 9,902          | 16,985                       | 0.4%  | 3.3%         | 96.0%        | 0.3%        | 0.0%        |
|             | Leisure Facilities                       | 503  | 297                                       | 261                                     | 15,811         | 27,770                       | 1.5%  | 1.3%         | 95.6%        | 1.4%        | 0.0%        |
|             | <b>sub total</b>                         | <b>1,100</b>   | <b>2,066</b>                              | <b>1,817</b>                            | <b>77,509</b>  | <b>141,519</b>               | <b>2.8%</b>   | <b>4.3%</b>  | <b>91.8%</b> | <b>0.9%</b> | <b>0.2%</b> |
| Roads       | Sealed Roads Surface                     | 1,272  | 3,265                                     | 2,325                                   | 249,496        | 63,136                       | 24.5%   | 58.0%        | 13.0%        | 2.8%        | 2.0%        |
|             | Sealed Roads Structure                   | 7,149  | 2,177                                     | 258                                     | 48,604         | 353,435                      | 17.1%   | 50.7%        | 26.3%        | 5.6%        | 0.3%        |
|             | Unsealed Roads                           | 518  | 2,100                                     | 2,381                                   | 11,055         | 10,977                       | 1.5%  | 76.2%        | 13.6%        | 7.6%        | 1.1%        |
|             | Bridges                                  | 2,619  | 106                                       | 44                                      | 30,238         | 44,362                       | 19.3%   | 72.0%        | 2.2%         | 6.8%        | 0.0%        |
|             | Footpaths/ Cycle ways                    | 81   | 95  | 48                                      | 10,216         | 17,701                       | 46.2%   | 48.2%        | 5.3%         | 0.2%        | 0.0%        |
|             | Kerb and Gutter                          | -  | 17  | 4                                       | 28,868         | 50,394                       | 9.5%  | 37.8%        | 52.7%        | 0.0%        | 0.0%        |
|             | Other Road Assets                        | 358  | 400                                       | 394                                     | 5,241          | 10,070                       | 14.3%   | 44.4%        | 32.8%        | 7.5%        | 1.0%        |
|             | Car Park                                 | 23   | 57  | 32                                      | 6,650          | 10,149                       | 4.6%  | 35.7%        | 57.2%        | 2.6%        | 0.0%        |
|             | <b>sub total</b>                         | <b>12,020</b>  | <b>8,217</b>                              | <b>5,486</b>                            | <b>390,368</b> | <b>560,224</b>               | <b>17.8%</b>  | <b>52.1%</b> | <b>25.0%</b> | <b>4.7%</b> | <b>0.4%</b> |

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)  
as at 30 June 2016

\$'000

| Asset Class              | Asset Category            | Estimated cost to bring assets to satisfactory condition <sup>1</sup> | 2015/16 Required Maintenance <sup>2</sup> | 2015/16 Actual Maintenance <sup>3</sup> | Carrying Value | Gross Replacement Cost (GRC) | Asset in condition as a percentage of gross replacement cost |               |               |              |              |
|--------------------------|---------------------------|---|---|---|----------------|------------------------------|--|---------------|---------------|--------------|--------------|
|                          |                           |   |   |   |                |                              | 1  | 2             | 3             | 4            | 5            |
|                          |                           |   |   |   |                |                              |  |               |               |              |              |
| Sewerage Network         | Mains                     | 700   | 59  | 72                                      | 10,441         | 17,103                       | 53.8%  | 11.5%         | 18.2%         | 16.5%        | 0.0%         |
|                          | Pumping Station/s         | -   | 411                                       | 607                                     | 9,957          | 17,214                       | 34.5%  | 64.0%         | 1.5%          | 0.0%         | 0.0%         |
|                          | Treatment Plant           | 296   | 1,054                                     | 1,187                                   | 26,463         | 45,441                       | 38.4%  | 25.9%         | 25.7%         | 2.8%         | 7.2%         |
|                          | Reticulation              | 1,003   | 153                                       | 383                                     | 25,429         | 62,524                       | 21.5%  | 4.0%          | 67.8%         | 6.7%         | 0.0%         |
|                          | Manholes                  | 47  | 47  | 116                                     | 7,068          | 20,166                       | 14.4%  | 38.2%         | 46.5%         | 0.9%         | 0.0%         |
| Recycle Water Network    | Treatment Plant           | -   | -   | -                                       | -              | 3,125                        | 0.0%   | 100.0%        | 0.0%          | 0.0%         | 0.0%         |
|                          | Pumping Station/s         | -   | -   | -                                       | -              | 3,062                        | 0.0%   | 100.0%        | 0.0%          | 0.0%         | 0.0%         |
|                          | <b>sub total</b>          | <b>2,046</b>  | <b>1,724</b>                              | <b>2,365</b>                            | <b>79,358</b>  | <b>168,635</b>               | <b>29.0%</b>   | <b>24.4%</b>  | <b>39.6%</b>  | <b>5.0%</b>  | <b>2.0%</b>  |
| Stormwater Drainage      | Retarding Basins          | -   | 40  | -                                       | 9,688          | 9,688                        | 100.0%   | 0.0%          | 0.0%          | 0.0%         | 0.0%         |
|                          | Stormwater Conduits       | -   | 63  | 28                                      | 112,149        | 161,555                      | 51.9%  | 47.7%         | 0.4%          | 0.0%         | 0.0%         |
|                          | Inlet and Junction Pits   | -   | 5   | 2                                       | 9,228          | 12,573                       | 84.7%  | 15.2%         | 0.0%          | 0.0%         | 0.0%         |
|                          | Head Walls                | -   | 3   | 1                                       | 1,836          | 2,630                        | 77.9%  | 22.1%         | 0.0%          | 0.0%         | 0.0%         |
|                          | Gross Pollutant Traps     | -   | 55  | 109                                     | 2,279          | 2,590                        | 20.0%  | 80.0%         | 0.0%          | 0.0%         | 0.0%         |
|                          | <b>sub total</b>          | <b>-</b>  | <b>166</b>                                | <b>140</b>                              | <b>135,180</b> | <b>189,036</b>               | <b>56.5%</b>   | <b>43.2%</b>  | <b>0.3%</b>   | <b>0.0%</b>  | <b>0.0%</b>  |
| Open Space/ Recreational | Swimming Pools            | 16  | 180                                       | 160                                     | 1,104          | 3,330                        | 8.0%   | 40.0%         | 50.0%         | 2.0%         | 0.0%         |
|                          | <b>sub total</b>          | <b>16</b>   | <b>180</b>                                | <b>160</b>                              | <b>1,104</b>   | <b>3,330</b>                 | <b>8.0%</b>  | <b>40.0%</b>  | <b>50.0%</b>  | <b>2.0%</b>  | <b>0.0%</b>  |
|                          | <b>TOTAL - ALL ASSETS</b> | <b>15,182</b>   | <b>12,353</b>                             | <b>9,969</b>                            | <b>683,519</b> | <b>1,062,744</b>             | <b>24.40%</b>  | <b>39.70%</b> | <b>31.90%</b> | <b>3.40%</b> | <b>0.60%</b> |

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

as at 30 June 2016

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### 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 condition is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the Council and community. This estimated cost does not include any planned enhancements.
- (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 differ to Required Maintenance due to timing, or as a result of funding shortfalls.

### 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     |

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2016

| \$ '000  | Amounts<br>2016 | Indicator<br>2016 | Prior Periods<br>20152014 |        |
|--|-----------------|-------------------|---------------------------|--------|
| Infrastructure Asset Performance Indicators Consolidated   |                 |                   |                           |        |
| 1. Building and Infrastructure Renewals Ratio  |                 |                   |                           |        |
| Asset Renewals (Building and Infrastructure) <sup>(1)</sup>  | 10,469          | 69.20%            | 50.97%                    | 74.10% |
| Depreciation, Amortisation & Impairment  | 15,128          |                   |                           |        |
| 2. Infrastructure Backlog Ratio  |                 |                   |                           |        |
| Estimated Cost to bring Assets to a Satisfactory Condition   | 15,182          | 2.22%             | 3.00%                     | 15.00% |
| Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets | 683,519         |                   |                           |        |
| 3. Asset Maintenance Ratio   |                 |                   |                           |        |
| Actual Asset Maintenance   | 9,969           | 0.81              | 0.86                      | 0.66   |
| Required Asset Maintenance   | 12,353          |                   |                           |        |

Notes

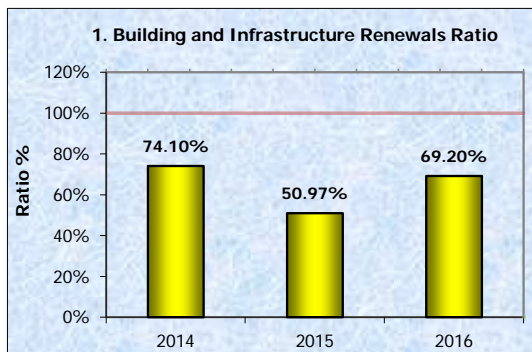
<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure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

<sup>(2)</sup> Written down value



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

for the financial year ended 30 June 2016



Minimum 100.00%

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

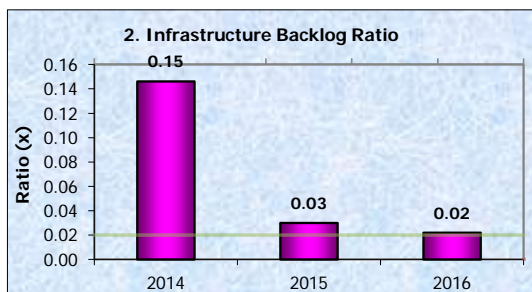
### Purpose of Asset Renewals Ratio

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

### Commentary on 2015/16 Result

**2015/16 Ratio 69.2%**

This ratio has improved as a result of increased focus on capital renewal and the duplicate grants payment in relation to the Roads to Recovery Program. Ratio is below benchmark.



Maximum .02

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

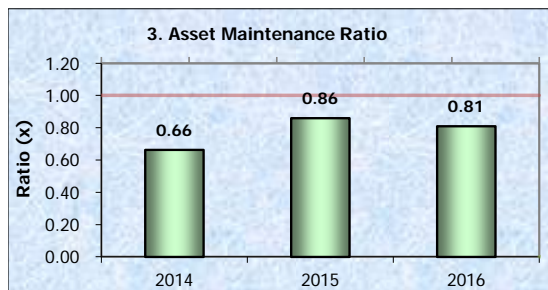
### Purpose of Infrastructure Backlog Ratio

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

### Commentary on 2015/16 Result

**2015/16 Ratio 0.02 x**

The ratio indicates that Council is just over the maximum benchmark.



Minimum 1.00

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 2015/16 Result

**2015/16 Ratio 0.81 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.

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2016

| \$ '000   | Sewer<br>2016 | General <sup>(1)</sup><br>2016 |
|---|---------------|--------------------------------|
| <b>Infrastructure Asset Performance Indicators<br/>By Fund</b>  |               |                                |
| <b>1. Building and Infrastructure Renewals Ratio</b>  |               |                                |
| Asset Renewals (Building and Infrastructure) <sup>(1)</sup>   | <b>7.41%</b>  | <b>79.90%</b>                  |
| Depreciation, Amortisation & Impairment   |               |                                |
| prior period:   | 18.31%        | 56.43%                         |
| <b>2. Infrastructure Backlog Ratio</b>  |               |                                |
| Estimated Cost to bring Assets to a<br>Satisfactory Condition   |               |                                |
| Total value <sup>(3)</sup> of Infrastructure, Building, Other Structures<br>& Depreciable Land Improvement Assets | <b>2.58</b>   | <b>2.13</b>                    |
| prior period:   | 0.00          | 2.94                           |
| <b>3. Asset Maintenance Ratio</b>   |               |                                |
| Actual Asset Maintenance  |               |                                |
| Required Asset Maintenance  | <b>1.37</b>   | <b>0.81</b>                    |
| prior period:   | 1.31          | 0.80                           |

Notes

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Written down value

## Special Schedule No. 8 - Permissible Income Calculation

for the financial year ended 30 June 2016

| \$'000  |                 | Calculation<br>2015/2016 | Calculation<br>2016/2017 |
|---|-----------------|--------------------------|--------------------------|
| <b>Notional General Income Calculation <sup>(1)</sup></b>           |                 |                          |                          |
| Last Year Notional General Income Yield                             | a               | 28,875                   | 29,729                   |
| Plus or minus Adjustments <sup>(2)</sup>                            | b               | 202                      | 200                      |
| <b>Notional General Income</b>                                      | c               | <b>29,077</b>            | <b>29,929</b>            |
| <b>Permissible Income Calculation</b>                               |                 |                          |                          |
| Special variation percentage <sup>(3)</sup>                         | d               | 0.00%                    | 0.00%                    |
| or Rate peg percentage  | e               | 2.40%                    | 1.80%                    |
| 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       | 698                      | 539                      |
| or plus Rate peg amount   | i = c x e       | -                        | -                        |
| or plus Crown land adjustment and rate peg amount                   | j = c x f       | -                        | -                        |
| <b>sub-total</b>  | k = (c+g+h+i+j) | <b>29,775</b>            | <b>30,468</b>            |
| plus (or minus) last year's Carry Forward Total                     | l               | -                        | 1                        |
| less Valuation Objections claimed in the previous year              | m               | (45)                     | -                        |
| <b>sub-total</b>  | n = (l + m)     | <b>(45)</b>              | <b>1</b>                 |
| <b>Total Permissible income</b>                                     | o = k + n       | <b>29,730</b>            | <b>30,469</b>            |
| less Notional General Income Yield                                  | p               | 29,729                   | 30,468                   |
| <b>Catch-up or (excess) result</b>                                  | q = o - p       | <b>1</b>                 | <b>1</b>                 |
| plus Income lost due to valuation objections claimed <sup>(4)</sup> | r               | -                        | -                        |
| less Unused catch-up <sup>(5)</sup>                                 | s               | -                        | -                        |
| <b>Carry forward to next year</b>                                   | t = q + r - s   | <b>1</b>                 | <b>1</b>                 |

### Notes

- <sup>1</sup> 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.
- <sup>2</sup> 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.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> 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.
- <sup>5</sup> 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.



## **Hawkesbury City Council**

### **Independent auditor's report Report on the Special Schedule No. 8**

#### **Report on the Special Schedule No. 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Hawkesbury City Council (the Council) for the year ending 30 June 2017.

#### ***Councillors' responsibility for Special Schedule No. 8***

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. 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. 8 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. 8 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. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, 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. 8.

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. 8 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.

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***Audit Opinion***

In our opinion, Special Schedule No. 8 of the Hawkesbury City Council for the year ending 30 June 2017 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 the 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 Office of Local Government.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to read 'Marc Upcroft'.

Marc Upcroft  
Partner

Sydney  
28 October 2016



