



Hawkesbury City Council

attachment 1
to
item 180

General Purpose Financial
Statements and Special Purpose
Financial Statements for the year
ended 30 June 2017

date of meeting: 26 September 2017
location: council chambers
time: 6:30 p.m.

HAWKESBURY CITY COUNCIL
FINANCIAL STATEMENTS
for the year ended 30 June 2017

The Hawkesbury 2036...It's Our Future

General Purpose
Special Purpose
Special Schedules



Commentary from the General Manager - Discounting of Land Under Roads

In November 2016, the mandate of the NSW Audit Office was extended to Local Government, meaning that the NSW Audit Office would be responsible for the audit of financial statements for all NSW councils. The NSW Audit Office held a number of information sessions and assured the sector that they would be working collaboratively with councils to ensure a smooth transition occurred.

The role of the NSW Audit Office varies from Council to Council. In some instances they choose to personally audit the council's accounts. On other occasions, they appoint a third party to conduct audits on their behalf. In the case of Hawkesbury City Council, our previous auditor, Price Waterhouse Coopers were appointed to conduct the audit of the Financial Statements for the year ended 30 June 2017.

In August 2017, when most councils were in the process of finalising their financial statements for the year ended 2016/2017, councils, including Hawkesbury, were advised by their third party auditors to: discount the value of

- discount the value of Land Under Roads by 90%, and
- record this change as a Prior Year Error.

If adopted, the total Equity of Hawkesbury City Council will be reduced by \$59.3 million from the previous year, which is shown in Council's Statement of Financial Position. Subsequently, The NSW Audit Office have advised that if this directive is not followed that Council will receive a qualified audit opinion.

The implication of this methodology is that Council may acquire an easement for Land Under Roads and pay market value of \$250 thousand, but have to recognise an overpayment of \$225 thousand, as the asset can only be valued at \$25 thousand. Council does not believe this represents the true value of the land, ignores the inherent community value of the acquisition, and leads to accounts that are confusing for our constituents.

Historically, councils and their auditors - under the guidance of the Office of Local Government have valued Land Under Roads based on the NSW Valuer General unimproved land value of surrounding properties. This was a permissible option under the NSW Local Government Code of Accounting Practice.

The email advising Council to discount Land Under Roads and treat this adjustment as a Prior Year Error, poses a reputational risk to both Local Government and their past auditors. This accounting treatment infers that NSW councils have been incorrectly valuing their Land Under Roads for a number of years.

Council believes that the manner in which the NSW Audit Office have implemented this change is inconsistent with their previously stated position "to work collaboratively with councils to ensure a smooth transition". In particular, it does not:

- demonstrate due care in transition,
- represent constructively and timely consultation,
- indicate working in collaboration with Local Government,

as assured by the NSW Audit Office when taking on the mandate in November 2016.

Further, Council believes that the reputation of Local Government, as an industry overall, is being compromised by being made accountable for a practice permitted in the past, by the Office of Local Government.

Hawkesbury City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

*Hawkesbury City Council leading and working with our community to
create a healthy and resilient future*



General Purpose Financial Statements

for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on [REDACTED]
Council has the power to amend and reissue these financial statements.
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Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the Financial Statements?

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

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

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

Significant Changes in Accounting

Council has changed the valuation method for Land Under Roads. Council previously valued Land Under Roads using the average unit value of properties adjoining the relevant road segment, which was one of the three methods required under the Office of Local Government Code of Accounting Practice and Financial Reporting (OLG Code).

The OLG Code was amended this year to promote better consistency across local government entities and align valuation methods with accounting standards. The valuation method applied by Council now reflects a substantial discount to the land values to reflect the use of the land as a road area. This has been presented in the financial statements as a prior period error as required by the NSW Audit Office.

General Purpose Financial Statements

for the financial year ended 30 June 2017

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 15 September 2017.

Councillor Mary Lyons-Buckett
MAYOR

Councillor Barry Calvert
DEPUTY MAYOR

Mr Peter Conroy
GENERAL MANAGER

Ms Emma Galea
RESPONSIBLE ACCOUNTING OFFICER

Income Statement

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
49,413	Rates and annual charges	3a	49,754	47,870
6,460	User charges and fees	3b	6,335	6,642
1,200	Interest and investment revenue	3c	1,434	1,568
4,086	Other revenues	3d	7,625	4,334
6,530	Grants and contributions provided for operating purposes	3e,f	9,572	7,033
3,788	Grants and contributions provided for capital purposes	3e,f	18,825	18,286
Other income:				
-	Net gains from the disposal of assets	5	-	-
-	Net share of interests in joint ventures and associates using the equity method	19	495	393
71,477	Total income from continuing operations		94,040	86,126
Expenses from continuing operations				
26,340	Employee benefits and on-costs	4a	26,092	26,492
413	Borrowing costs	4b	358	398
16,701	Materials and contracts	4c	18,982	17,835
18,410	Depreciation and amortisation	4d	18,594	18,455
-	Impairment	4d	-	-
11,952	Other expenses	4e	11,820	16,389
-	Interest and investment losses	3c	-	-
-	Net losses from the disposal of assets	5	420	245
-	Net share of interests in joint ventures and associates using the equity method	19	-	-
73,815	Total expenses from continuing operations		76,266	79,814
(2,338)	Operating result from continuing operations		17,774	6,312
Discontinued operations				
-	Net profit / (loss) from discontinued operations	24	-	-
(2,338)	Net operating result for the year		17,774	6,312
(2,338)	Net operating result attributable to Council		17,774	6,312
-	Net operating result attributable to non-controlling interests		-	-
(6,126)	Net operating result for the year before grants and contributions provided for capital purposes		(1,051)	(11,974)

¹ Original Budget as approved by Council - refer Note 16

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		17,774	6,312
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b	(4,139)	13,723
Adjustment to correct prior period errors	20c	(59,441)	(1,743)
Other comprehensive income - joint ventures and associates	19b	(108)	(109)
Total items which will not be reclassified subsequently to the operating result		(63,687)	11,871
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil	20b(ii)	-	-
Total items which will be reclassified subsequently to the operating result when specific conditions are met		-	-
Total other comprehensive income for the year		(63,687)	11,871
Total comprehensive income for the year		(45,913)	18,183
Total comprehensive income attributable to Council		(45,913)	18,183
Total comprehensive income attributable to non-controlling interests		-	-

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	19,400	5,233
Investments	6b	25,211	38,800
Receivables	7	5,989	6,599
Inventories	8	164	430
Other	8	773	836
Current assets classified as 'held for sale'	22	-	-
Total current Assets		51,537	51,898
Non-current assets			
Investments	6b	-	-
Receivables	7	989	1,051
Infrastructure, property, plant & equipment	9	931,321	979,109
Investments accounted for using the equity method	19	2,925	2,538
Investment property	14	45,312	41,655
Intangible assets	25	242	471
Non-current assets classified as 'held for sale'	22	-	-
Other	8	-	-
Total Non-Current Assets		980,789	1,024,824
TOTAL ASSETS		1,032,326	1,076,722
LIABILITIES			
Current liabilities			
Payables	10	7,842	7,967
Income received in advance	10	-	-
Borrowings	10	910	850
Provisions	10	10,134	8,812
Liabilities associated with assets classified as 'held for sale'	22	-	-
Total current liabilities		18,886	17,629
Non-current liabilities			
Payables	10	-	-
Income received in advance	10	-	-
Borrowings	10	3,658	4,506
Provisions	10	4,023	2,914
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as 'held for sale'	22	-	-
Total non-current liabilities		7,681	7,420
TOTAL LIABILITIES		26,567	25,049
Net assets		1,005,759	1,051,673
EQUITY			
Retained earnings	20	409,480	451,255
Revaluation reserves	20	596,279	600,418
Other reserves	20	-	-
Council equity interest		1,005,759	1,051,673
Non-controlling interests		-	-
Total equity		1,005,759	1,051,673

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017						2016					
		Retained earnings	Asset Revaluation Reserve (Refer 20b)	Other Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity	Retained earnings	Asset Revaluation Reserve (Refer 20b)	Other Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
Opening balance (as per last year's audited accounts)		451,255	600,418	-	1,051,673	-	1,051,673	446,795	586,695	-	1,033,490	-	1,033,490
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-	-	-	-	-	-	-	-
b. changes in accounting policies (prior year effects)	20 (d)	-	-	-	-	-	-	-	-	-	-	-	-
Revised opening balance		451,255	600,418	-	1,051,673	-	1,051,673	446,795	586,695	-	1,033,490	-	1,033,490
c. Net operating result for the year		17,774	-	-	17,774	-	17,774	6,312	-	-	6,312	-	6,312
d. Other comprehensive income													
- Revaluations : IPP&E asset revaluation rsve	20b (ii)	-	(4,139)	-	(4,139)	-	(4,139)	-	13,723	-	13,723	-	13,723
- Revaluations : other reserves	20b (ii)	-	-	-	-	-	-	-	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment (loss) reversal relating to IPP&E	20b (ii)	-	-	-	-	-	-	-	-	-	-	-	-
- Joint ventures and associates	19b	(108)	-	-	(108)	-	(108)	(109)	-	-	(109)	-	(109)
- Other reserve movements	20b (ii)	-	-	-	-	-	-	-	-	-	-	-	-
- Correction of prior period errors (retained earnings)	20b (ii)	(59,441)	-	-	(59,441)	-	(59,441)	(1,743)	-	-	(1,743)	-	(1,743)
Other comprehensive oncome		(59,549)	(4,139)	-	(63,688)	-	(63,688)	(1,852)	13,723	-	11,871	-	11,871
Total comprehensive income (c&d)		(41,775)	(4,139)	-	(45,914)	-	(45,914)	4,460	13,723	-	18,183	-	18,183
e. Distributions to/(contributions from) non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-
f. Transfers between equity		-	-	-	-	-	-	-	-	-	-	-	-
Equity - balance at end of the reporting period		409,480	596,279	-	1,005,759	-	1,005,759	451,255	600,418	-	1,051,673	-	1,051,673

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash Flows from operating activities				
Receipts:				
46,942	Rates and annual Charges		49,642	47,749
6,395	User charges and fees		6,987	6,004
1,200	Investment and interest revenue received		1,433	1,713
9,803	Grants and contributions		18,948	13,367
-	Bonds, deposits and retention amounts received		-	-
4,045	Other		8,865	8,603
Payments:				
(25,550)	Employee benefits and on-costs		(25,927)	(26,103)
(16,534)	Materials and contracts		(21,521)	(18,700)
(218)	Borrowing costs		(218)	(245)
-	Bonds, deposits and retention amounts refunded		(987)	(249)
(11,832)	Other		(10,577)	(16,795)
14,251	Net cash provided (or used in) operating activities	11b	26,645	15,344
Cash flows from investing activities				
Receipts:				
-	Sale of investment securities		58,900	62,300
-	Sale of investment property		-	167
1,316	Sale of infrastructure, property, plant and equipment		1,468	1,649
Payments:				
-	Purchase of investment securities		(58,900)	(62,300)
-	Purchase of investment property		(79)	(38)
(16,754)	Purchase of infrastructure, property, plant and equipment		(12,990)	(18,042)
(15,438)	Net Cash provided (or used in) investing activities		(11,601)	(16,264)
Cash flows from financing activities				
Receipts:				
-	Nil		-	-
Payments:				
(884)	Repayment of borrowings and advances		(877)	(849)
(884)	Net cash flow provided (used in) financing activities		(877)	(849)
(2,071)	Net increase/(decrease) in cash and cash equivalents		14,167	(1,769)
5,233	plus: cash and cash equivalents - beginning of year	11a	5,233	7,002
3,162	Cash and cash equivalents - end of the year	11a	19,400	5,233
Additional information:				
	plus: investments on hand - end of year	6b	25,211	38,800
	Total cash, cash equivalents and investments		44,611	44,033

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

Notes to the Financial Statements

for the year ended 30 June 2017

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Note 1. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

(i) Rates, annual charges, grants and contributions

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

Note 1. Summary of Significant Accounting Policies

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

Control over granted assets/contributed assets is normally obtained upon their receipt and is valued at their fair value at the date of transfer.

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

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

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

(ii) The Trust Fund

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

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

(iii) County Councils

Council is a member of the following County Council (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 the County Council is responsible for managing its own affairs.

Note 1. Summary of Significant Accounting Policies

Council is of the opinion that it neither controls nor significantly influences the above county council and accordingly these entities have not been consolidated or otherwise included within these financial statements.

(iv) Interests in other entities

Subsidiaries

Subsidiaries are 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.

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. 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.

A list of controlled entities is contained in Note 19 to the financial statements.

Joint Arrangements

Council has no interest in any joint arrangements.

Joint ventures/associates

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

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

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

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

(d) Leases

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

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

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

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

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

(e) Impairment of assets

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

Note 1. Summary of Significant Accounting Policies

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

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

(f) Cash and cash equivalents

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

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

(g) Inventories

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

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

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

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

(ii) Inventory held for distribution

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies

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

(i) Investments and other financial assets

Classification

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

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

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

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

(ii) Loans and receivables

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

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

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

Recognition and de-recognition

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

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

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

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

Note 1. Summary of Significant Accounting Policies

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

Investment Policy

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations.

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Note 1. Summary of Significant Accounting Policies

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

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

Externally valued:

- Operational land
- Community land
- Water and sewerage networks
- Swimming Pools

Internally valued:

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Other open space/recreational assets
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

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

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

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

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

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

Depreciation

Land is not depreciated.

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

Plant & 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

Buildings

- Buildings	50 to 100 years
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Stormwater Drainage

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

Note 1. Summary of Significant Accounting Policies

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 & Paths	40 to 100 years

Sewer Assets

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

Other Infrastructure Assets

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

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

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

(l) Investment property

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

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

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

(m) Payables

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

(n) Borrowings

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

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

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

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

(o) Borrowing costs

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

(p) Provisions

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

Note 1. Summary of Significant Accounting Policies

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

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

(q) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

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

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(r) Land under roads

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

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

Note 1. Summary of Significant Accounting Policies

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

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

(s) Self-insurance

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

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

(t) Intangible assets

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

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

(u) Crown reserves

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

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

(v) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), *"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"*.

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

(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.

(w) Goods and Services Tax (GST)

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

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

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

Note 1. Summary of Significant Accounting Policies

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

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect on Council's future financial statements, financial position, financial performance or cash flows are set out below:

AASB 16 Leases

AASB 16 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

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

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

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

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

AASB 1058 Income of Not-for-Profit Entities

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.

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

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

(y) Rounding of amounts

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

(z) 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.

(aa) Disclaimer

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

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions / activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original Budget 2017	Actual 2017	Actual 2016	Original Budget 2017	Actual 2017	Actual 2016	Original Budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	8	8	9	1,040	992	386	(1,032)	(985)	(377)	-	-	169	351
Looking After People and Place	6,103	9,841	9,003	26,262	27,790	28,808	(20,159)	(17,948)	(19,805)	1,255	2,312	64,527	70,165
Caring for Our Environment	22,670	23,627	22,108	23,061	24,230	21,392	(391)	(603)	716	178	22	186,163	192,989
Linking the Hawkesbury	4,318	15,457	16,442	19,284	20,085	19,539	(14,966)	(4,628)	(3,097)	4,817	3,516	580,155	608,246
Supporting Business and Local Jobs	23	19	9	833	696	691	(810)	(678)	(682)	5	-	62,047	64,133
Shaping Our Future Together	3,278	6,948	3,409	3,335	2,471	8,998	(57)	4,477	(5,589)	142	178	136,340	138,300
Total Functions & Activities	36,400	55,900	50,980	73,815	76,265	79,814	(37,415)	(20,366)	(28,834)	6,398	6,028	1,029,401	1,074,184
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	495	284	-	-	-	-	495	284	-	-	2,925	2,538
General Purpose Income ¹	35,076	37,645	34,862	-	-	-	35,076	37,645	34,862	6,715	4,529	-	-
Operating Result from Continuing Operations	71,477	94,039	86,126	73,815	76,265	79,814	(2,338)	17,774	6,312	13,113	10,557	1,032,326	1,076,722

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

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

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.

Notes to the Financial Statements

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		25,454	24,796
Farmland		1,491	1,510
Business		3,000	2,910
Total ordinary rates		29,945	29,216
Special rates			
Nil		-	-
Total special rates		-	-
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		11,470	10,786
Sewerage services		5,722	5,382
Waste management services (non-domestic)		1,169	1,176
Section 611 charges		22	25
Sullage		1,426	1,285
Total annual charges		19,809	18,654
TOTAL RATES AND ANNUAL CHARGES		49,754	47,870

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

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 - specific "actual use" charges)			
Sewerage services		840	1,021
Waste management services (non-domestic)		13	25
Sullage		315	259
Total user charges		1,168	1,305
Other user charges and fees			
(i) Fees and charges - statutory and regulatory functions (per s.608)			
Inspection services		26	-
Planning and building regulation		1,473	1,316
Regulatory / statutory fees		491	516
Registration fees		5	4
Section 149 certificates (EPA Act)		246	252
Section 603 certificates		105	114
Sewerage management facility inspection fees		155	346
Total fees and charges - statutory / regulatory		2,501	2,548
(ii) Fees and charges - other (incl. general user charges (per s.608)			
Caravan park		9	3
Animal Shelter income		677	740
Cemeteries		245	250
Leaseback fees - Council vehicles		308	294
Library, Museum and Gallery income		91	73
Park rents		146	150
Restoration charges		136	289
Swimming Centre		205	201
Vehicle inspection fees		14	15
Waste Management Facility		806	748
Other		29	26
Total fees and charges - other		2,666	2,789
TOTAL USER CHARGES AND FEES		6,335	6,642

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
- Interest on overdue rates and annual charges (incl. special purpose rates)		219	219
- Interest earned on investments (interest & coupon payment income)		1,215	1,349
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,434</u>	<u>1,568</u>
Interest revenue is attributable to:			
Unrestricted investments / financial assets:			
Overdue rates and annual charges (general fund)		196	196
General Council cash and investments		787	901
Restricted investments / funds - external:			
Development contributions			
- Section 94		304	266
- Section 64		11	3
Sewerage fund operations		29	62
Domestic waste management operations		14	15
Stormwater management		36	41
Other externally restricted assets			
Restricted investments / funds - internal:			
Internally restricted assets		57	84
<u>Total interest and investment revenue recognised</u>		<u>1,434</u>	<u>1,568</u>
(d) Other revenues			
Fair value increments - investment properties	14	3,578	-
Rental income - investment properties	14	1,762	1,744
Rental income - other Council properties		422	395
Fines - parking		534	530
Fines - other		275	157
Legal fees recovery - rates and charges (extra charges)		73	157
Legal fees recovery - other		12	21
Agricultural income		13	12
External income		80	68
GST fuel rebates		120	141
Insurance claim recoveries		153	20
NSW Rural Fire reimbursement		147	220
NSW SES reimbursement		-	9
Nursery income		42	37
Private works printing income		7	18
Recycling income (non-domestic)		68	51
Sales - general		1	4
Vary LEP applications		5	376
Other		333	483
<u>TOTAL OTHER REVENUE</u>		<u>7,625</u>	<u>4,443</u>

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance - general component	3,937	2,575	-	-
Financial assistance - local roads component	2,460	1,633	-	-
Pensioners' rates subsidies - general component	318	321	-	-
Total general purpose	6,715	4,529	-	-
Specific purpose				
Pensioners' rates subsidies:				
- Sewerage	41	41	-	-
- Domestic waste management	134	131	-	-
Aged care	55	55	-	-
Community care	41	129	5	50
Economic development	18	-	-	-
Environmental protection	-	-	-	54
Flood restoration	31	11	913	7
Heritage and cultural	121	119	-	-
Housing community	-	-	4	-
Library - per capita	159	158	-	-
Library - special projects	-	-	216	145
LIRS subsidy	142	160	-	-
Noxious weeds	96	96	-	-
Public order and safety	128	101	195	731
Recreation and culture	-	-	65	276
Street lighting	161	158	-	-
Traffic route subsidy	11	10	-	-
Transport (Roads to Recovery)	-	-	2,671	2,204
Transport (other roads and bridges funding)	715	619	475	773
Total specific purpose	1,853	1,788	4,545	4,240
Total grants	8,568	6,317	4,545	4,240
Grant revenue is attributable to:				
- Commonwealth funding	6,498	4,304	2,688	2,314
- State funding	2,070	1,988	1,853	1,926
- Other funding	-	25	4	-
	8,568	6,317	4,545	4,240

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 - EP&A Act, S64 of the LGA):				
S 93F – contributions using planning agreements	9	12	-	-
S 94 - contributions towards amenities/services	1	-	11,386	11,166
S 94A - fixed development consent levies	-	-	820	701
S 64 - sewerage service contributions	-	-	626	451
S 64 - stormwater contributions	-	-	303	-
Total Developer Contributions	10	12	13,135	12,318
Other Contributions:				
Bushfire prevention	163	240	-	-
Other councils - joint works / services	574	299	-	-
Parks contributions	3	3	-	-
Roads and bridges	(19)	141	-	1,560
Sewerage (excl. section 64 contributions)	23	-	-	-
Fire and Emergency Services Levy implementation	113	-	-	-
Other	137	21	1,145	168
Total Other Contributions	994	704	1,145	1,728
Total Contributions	1,004	716	14,280	14,046
TOTAL GRANTS & CONTRIBUTIONS	9,572	7,033	18,825	18,286

(g) Restrictions relating to Grants and Contributions

Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period	7,380	7,445
add: grants & contributions recognised in the current period but not yet spent:	6,689	3,439
less: grants & contributions recognised in a previous reporting period now spent:	(2,320)	(3,504)
Net Increase (Decrease) in restricted assets during the period	4,370	(65)
Unexpended and held as restricted assets	11,750	7,380
Comprising:		
- Specific purpose unexpended grants	2,993	1,127
- developer contributions	8,757	6,253
	11,750	7,380

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		19,431	19,106
Travelling		17	12
Employee Leave Entitlements (ELE)		3,960	4,537
Superannuation		2,520	2,519
Workers' compensation insurance		(9)	523
Fringe Benefit Tax (FBT)		100	109
Payroll tax		28	39
Training costs (other than salaries and wages)		227	200
Protective clothing		89	46
Other		17	15
Total employee costs		26,380	27,106
less: capitalised costs		(288)	(614)
TOTAL EMPLOYEE COSTS EXPENSED		26,092	26,492
Number of "Equivalent Full Time" employees at year end		273	272
Number of "Equivalent Full Time" employees at year end (incl. vacancies)		293	291
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on Loans		218	245
Total interest bearing liability costs		218	245
Less: capitalised costs		-	-
Total interest bearing liability costs expensed		218	245
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
- Remediation liabilities	26	51	45
Interest applicable on interest free (& favourable) loans to Council			
- * Unwinding of interest free loan from State Government		89	108
Total other borrowing costs		140	153
TOTAL BORROWING COSTS EXPENSED		358	398

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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		2,473	3,651
Contractor and consultancy costs			
Roads, Parks and Buildings		5,942	4,118
Other Contractors		1,202	732
Cemeteries		86	76
Community services		160	910
Waste Collection and Disposal		5,637	3,686
Ferry Operation		704	468
Information Technology		216	237
Sewer services		1,165	2,628
Auditors remuneration ⁽¹⁾		103	69
Legal expenses:			
- Legal expenses: planning and development		212	227
- Legal expenses: debt recovery		68	157
- Legal expenses: other		224	123
Operating leases:			
- Operating lease rentals: contingent rentals ⁽²⁾		516	549
Other		274	204
TOTAL MATERIALS AND CONTRACTS		18,982	17,835
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
- Audit and review of financial statements: Auditor-General		79	-
- Audit and review of financial statements: other consolidated entity Auditors		15	-
Remuneration for audit and other assurance services		94	-
Total Auditor-General remuneration		94	-
b. During the year, the following fees were incurred for services provided by the other Council's Auditors (and the Auditors of other consolidated entities):			
(i) Audit and other assurance services			
- Audit and review of financial statements: Council's Auditor		-	61
- Audit and review of financial statements: other consolidated entity Auditors		9	8
Remuneration for audit and other assurance services		9	69
Total remuneration of other Council's Auditors		9	69
Total Auditor remuneration		103	69
2. Operating lease payments are attributable to:			
Computers		457	397
Other		59	152
		516	549

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,145	1,197
Office equipment		133	253
Furniture and fittings		44	42
Land improvements (depreciable)		21	112
Infrastructure:			
– Buildings		4,304	4,248
– Other structures		293	519
– Roads		5,737	5,626
– Bridges		468	461
– Footpaths		289	283
– Stormwater drainage		1,877	1,839
– Sewerage network		1,945	2,093
– Swimming pools		89	59
Other assets			
– Heritage collections		136	–
– Library books		206	177
– Park assets		1,525	1,090
Asset reinstatement costs	9 & 26	–	44
Intangible assets	25	382	412
Total gross depreciation and amortisation costs		18,594	18,455
Less: capitalised costs		–	–
Total depreciation and amortisation costs		18,594	18,455
Impairment			
Nil			
Total gross impairment costs		–	–
Impairment of investments			
Total gross impairment costs (investments)		–	–
Total impairment costs		–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		18,594	18,455

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		145	101
Bad and doubtful Debts		56	32
Bank charges		178	191
Computer software charges		739	648
- Bushfire Fighting Fund		636	866
- Department of Planning Levy		80	-
- Emergency Services Levy		119	109
- NSW Fire Brigade Levy		147	144
- Waste S88 EPA Contribution		3,310	3,239
- Other contributions/levies		644	690
Other contributions - Regional Strategic Alliance		95	40
Councillor expenses - Mayoral fee		45	40
Councillor expenses - Councillors' fees		221	221
Councillors' expenses (incl. Mayor) - other (excluding fees above)		57	43
Donations, contributions & assistance to other organisations (Section 356)		112	108
Election expenses		358	-
Electricity and heating		794	775
Fair value decrements - investment properties	14	-	5,148
Fire Control expenses		164	151
Gas		64	68
Insurance		926	899
Licences and subscriptions		186	207
Office expenses (including computer expenses)		40	39
Postage		185	174
Printing and stationery		81	68
Recycling Program		114	82
Sewerage treatment works operations		734	935
Stormwater - Environmental		138	78
Street lighting		666	629
Telephone and communications		120	135
Valuation fees (rates)		152	149
Water		159	190
Boundary Road contribution		21	44
Other		334	146
<u>TOTAL OTHER EXPENSES</u>		<u>11,820</u>	<u>16,389</u>

Notes to the Financial Statements
for the financial year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Plant & Equipment			
Proceeds from disposal - plant and equipment		1,395	1,105
Less: carrying amount of plant and equipment assets sold/written off		(1,569)	(999)
Net Gain/(Loss) on Disposal		(174)	106
Infrastructure			
Proceeds from disposal - infrastructure		67	88
Less: carrying amount of infrastructure assets sold/written off		(319)	(203)
Net Gain/(Loss) on Disposal		(252)	(115)
Financial Assets*			
Proceeds from disposal/redemptions/maturities – financial assets		58,900	65,500
Less: carrying amount of financial assets sold/redeemed/matured		(58,900)	(65,500)
Net Gain/(Loss) on Disposal		-	-
Other (Library Books)			
Proceeds from disposal – Other (Library Books)		6	-
Less: carrying amount of Other (Library Books) assets sold/written off		-	-
Net Gain/(Loss) on Disposal		6	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(420)	(9)

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non Current	2016 Actual Current	2016 Actual Non Current
Cash and Cash Equivalents (Note 6a)					
Cash on hand and at bank		693	-	933	-
Cash-equivalent assets ¹					
- Deposits at call		18,707	-	4,300	-
Total Cash & Cash Equivalents		19,400	-	5,233	-
Investments (Note 6b)					
- Long term deposits		25,211	-	38,800	-
Total Investments		25,211	-	38,800	-
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		44,611	-	44,033	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		19,400	-	5,233	-
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Investments

b. "Held to Maturity"	6(b-ii)	25,211	-	38,800	-
Investments		25,211	-	38,800	-

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

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000	2017 Actual Current	2017 Actual Non Current	2016 Actual Current	2016 Actual Non Current
Total cash, cash equivalents and investments	44,611	-	44,033	-
attributable to:				
External restrictions (refer below)	15,409	-	13,757	-
Internal restrictions (refer below)	19,121	-	23,094	-
Unrestricted	9,751	-	7,182	-
	44,281	-	44,033	-

2017 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Specific purpose unexpended loans- LIRS	1,947	-	(1,826)	121
External Restrictions - Included in Liabilities	1,947	-	(1,826)	121

External Restrictions - Other

Developer contributions - general (D)	5,886	4,332	(1,461)	8,757
Developer contributions - sewer fund (D)	-	-	-	-
Specific purpose unexpended grants - general (F)	1,164	2,994	(1,164)	2,994
Specific purpose unexpended grants - sewer (F)	330	-	(330)	-
Specific purpose unexpended contributions (G)	664	1,186	(1,242)	608
Sewerage services (G)	1,462	9,209	(9,799)	872
Domestic waste management (G)	630	12,673	(12,736)	567
Stormwater management (G)	1,674	36	(220)	1,490
External Restrictions - Other	11,810	30,430	(26,952)	15,288
Total External Restrictions	13,757	30,430	(28,778)	15,409

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees leave entitlement	1,465	-	-	1,465
Contingency	601	-	-	601
Election	378	46	(358)	66
Energy efficiency	37	-	(37)	-
Heritage	156	-	(62)	94
Information Technology	498	136	(7)	627
Infrastructure Projects	272	-	(5)	267
Legal	249	-	-	249
Risk Management	231	-	-	231
Tip Remediation and Sullage	12,274	10,140	(13,772)	8,642
Unexpended Contributions	212	-	(18)	194
Unspent Work Reserve/Property	5,922	5,564	(5,600)	5,886
Workers Compensation	799	-	-	799
Total Internal Restrictions	23,094	15,886	(19,859)	19,121
TOTAL RESTRICTIONS	36,851	46,316	(48,637)	34,530

- 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 (b))
- G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non Current	Current	Non Current
Purpose					
Rates and annual charges		1,785	891	1,709	855
Interest and extra charges		179	29	97	106
User charges and fees		1,760	69	2,307	90
Private works		1	-	(13)	-
Accrued revenues					
– Interest on investments		445	-	449	-
Government grants and subsidies		1,541	-	1,516	-
Net GST receivable		430	-	651	-
Total		6,141	989	6,716	1,051
less: Provision for Impairment					
User Charges & Fees		(152)	-	(117)	-
Total Provision for Impairment - Receivables		(152)	-	(117)	-
<u>TOTAL NET RECEIVABLES</u>		<u>5,989</u>	<u>989</u>	<u>6,599</u>	<u>1,051</u>
Externally Restricted Receivables					
Sewerage Services					
- Rates & Availability Charges		591	-	409	-
Domestic Waste Management		614	-	578	-
Total External Restrictions		1,205	-	987	-
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		4,784	989	3,718	925
TOTAL NET RECEIVABLES		5,989	989	4,705	925

Notes on debtors above:

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

Notes to the Financial Statements
for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non Current	Current	Non Current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		164	-	249	-
Trading stock		-	-	181	-
Total inventories at cost		164	-	430	-
(ii) Inventories at net realisable value (NRV)					
Nil		-	-	-	-
Total inventories at net realisable value (NRV)		-	-	-	-
TOTAL INVENTORIES		164	-	430	-
(b) Other assets					
Prepayments		773	-	836	-
TOTAL OTHER ASSETS		773	-	836	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Total externally restricted assets	-	-	-	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	937	-	1,266	-
TOTAL INVENTORIES AND OTHER ASSETS	937	-	1,266	-

(i) Other disclosures

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

- Stores and materials	399,273	-
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(d) Inventory write downs

\$142,057 was recognised as an expense relating to the write down of inventory balances held during the year.

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

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/06/2016			Asset movements during the reporting period									as at 30/06/2016		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Reversal of prior period revaluation decrements to the P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	9,439	–	9,439	10,595	–	–	–	(3,060)	–	–	–	–	16,974	–	16,974
Plant and equipment	15,239	6,681	8,558	2,979	(1,546)	(1,145)	–	195	–	–	–	–	14,914	5,854	9,060
Office equipment	2,535	1,989	546	49	–	(133)	–	–	–	–	–	–	2,561	2,099	462
Furniture and fittings	1,819	1,582	237	63	–	(44)	–	–	–	–	–	–	1,883	1,626	257
Land:															
– Operational land	92,201	–	92,201	–	–	–	–	–	–	–	–	–	92,201	–	92,201
– Community land	79,694	–	79,694	974	–	–	–	–	(18)	–	–	–	80,651	–	80,651
– Land under roads (post 30/6/08)	65,887	–	65,887	4,466	–	–	–	21	18	–	(59,298)	–	11,093	–	11,093
Land improvements – non-depreciable	986	–	986	84	(3)	–	–	1	–	–	–	–	1,068	–	1,068
Land improvements – depreciable	5,765	5,004	761	24	(5)	(21)	–	8	(146)	–	–	–	4,859	4,238	621
Infrastructure:															
– Buildings	142,221	64,712	77,509	1,242	(58)	(4,304)	–	397	–	–	–	–	143,432	68,646	74,786
– Other structures	26,359	15,761	10,598	610	–	(293)	–	165	146	(3,638)	–	–	13,455	5,826	7,629
– Roads	521,679	171,766	349,913	11,483	–	(5,737)	–	977	–	–	–	–	534,139	177,503	356,636
– Bridges	45,569	15,330	30,239	1,374	(227)	(468)	–	91	–	–	–	–	46,720	15,712	31,008
– Footpaths	19,928	9,712	10,216	598	–	(289)	–	1	–	–	–	–	20,528	10,000	10,528
– Stormwater drainage	196,941	61,761	135,180	181	–	(1,877)	–	228	–	–	–	–	197,350	63,638	133,712
– Sewerage network	164,969	85,611	79,358	401	(29)	(1,945)	–	37	–	–	–	1,088	167,593	88,684	78,909
– Swimming pools	3,313	2,209	1,104	119	–	(89)	–	21	–	–	–	1,312	4,971	2,564	2,407
Other assets:															
– Heritage collections	944	–	944	–	–	(136)	–	–	–	–	–	13	957	–	957
– Library books	3,403	2,747	656	288	–	(206)	–	1	–	–	–	–	3,693	2,954	739
– Park assets	56,462	31,974	24,488	240	(44)	(1,525)	–	35	–	(2,914)	–	–	33,350	13,068	20,282
Reinstatement, rehabilitation and restoration assets (refer Note 26):															
– Tip assets	1,046	451	595	–	–	–	–	882	–	–	–	–	1,929	588	1,341
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,456,399	477,290	979,109	35,770	(1,912)	(18,212)	–	–	–	(6,552)	(59,298)	2,413	1,394,321	463,000	931,321

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Sewerage services						
WIP	1,677	–	1,677	342		342
Plant and equipment	853	256	597	790	217	573
Office equipment	245	101	144	241	93	148
Furniture and fittings	2	–	2	2		2
Land						
– Operational land	2,225	–	2,225	2,225	–	2,225
– Community land	7	–	7	7	–	7
Buildings	939	623	316	938	596	342
Other structures	334	160	174	334	148	186
Infrastructure	167,593	88,684	78,909	164,969	85,612	79,357
Other assets	75	44	31	75	6	69
Total sewerage services	173,950	89,868	84,082	169,923	86,672	83,251
Domestic waste management						
Plant and equipment	1,979	379	1,600	1,984	947	1,037
Park Asset	287	273	14	287	263	24
Total DWM	2,266	652	1,614	2,271	1,210	1,061
TOTAL RESTRICTED I,PP&E	176,216	90,520	85,696	172,194	87,882	84,312

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non Current	Current	Non Current
Payables					
Goods and services – operating expenditure		4,958	-	4,263	-
Accrued expenses:					
– Other expenditure accruals		1,077	-	910	-
Security bonds, deposits and retentions		1,807	-	2,794	-
Total Payables		7,842	-	7,967	-
Borrowings					
Loans – secured		400	659	400	970
Other Loan		510	2,999	450	3,536
Total Borrowings		910	3,658	850	4,506
Provisions					
Employee benefits:					
Annual leave		2,407	-	2,270	-
Sick leave		600	-	615	-
Long service leave		5,822	530	5,541	857
Leave in lieu		331	-		
ELE on-costs		61	-	303	-
Sub-total – aggregate employee benefits		9,221	530	8,729	857
Self insurance – workers compensation		64	244	83	528
Asset remediation/restoration (future works)	26	849	3,249	-	1,529
Total provisions		10,134	4,023	8,812	2,914
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		18,886	7,681	17,629	7,420

(i) Liabilities relating to restricted assets

	2017		2016	
	Current	Non Current	Current	Non Current
Externally restricted assets				
Sewer	707	699	396	1,320
Domestic waste management	336	10	218	108
Loan – LIRS	510	2,999	484	3,502
Liabilities relating to externally restricted assets	1,553	3,708	1,098	4,930
Internally restricted assets				
Nil	-	-	-	-
Liabilities relating to internally restricted assets	-	-	-	-
Total liabilities relating to restricted assets	1,553	3,708	1,098	4,930
Total liabilities relating to unrestricted assets	17,333	3,973	16,531	2,490
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	18,886	7,681	17,629	7,420

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

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

	Actual 2017	Actual 2016
Provisions – employees benefits	6,424	6,081
Payables – security bonds, deposits and retentions	153	236
	6,577	6,317

¹ Loans are secured over the general rating income of Council

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

Notes to the Financial Statements
for the year ended 30 June 2017

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	2,270	1,357	(1,220)	-	-	2,407
Sick leave	615	756	(771)	-	-	600
Long service leave	6,398	264	(310)	-	-	6,352
Other leave (LIL)	303	75	(47)	-	-	331
ELE on-costs	-	61	-	-	-	61
Self insurance	611	-	(303)	-	-	308
Asset remediation	1,529	2,611	(93)	51	-	4,098
TOTAL	11,726	5,124	(2,744)	51	-	14,157

- 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 and estimated as a result of Council's being a self insurer up to certain levels of excess.
- c. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Notes to the Financial Statements
for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	19,400	5,233
Less bank overdraft	10	-	-
Balance as per the Statement of Cash Flows		19,400	5,233
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		17,773	6,312
Adjust for non-cash items:			
Depreciation and amortisation		18,594	18,455
Net losses/(gains) on disposal of assets		420	245
Non-cash capital grants and contributions		(9,574)	(10,642)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment properties		(3,578)	5,148
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		89	108
Unwinding of discount rates on reinstatement provisions		51	45
Share of net (profits) or losses of associates/joint ventures		(387)	(176)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(increase) in receivables		637	(2,231)
Increase/(decrease) in provision for doubtful debts		35	23
Decrease/(increase) in inventories		266	(92)
Decrease/(increase) in other assets		63	(98)
Increase/(decrease) in payables		695	(773)
Increase/(decrease) in other accrued expenses payable		167	73
Increase/(decrease) in other liabilities		(987)	(249)
Increase/(decrease) in employee leave entitlements		165	389
Increase/(decrease) in other provisions		2,215	(1,193)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		26,645	15,344

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Dedicated Contributions		9,507	10,493
Other Non Cash Item		67	149
Total non-cash investing and financing activities		9,574	10,642
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities		800	800
Credit cards/purchase cards		308	308
Total financing arrangements		1,108	1,108
Amounts utilised as at balance date:			
– Credit cards/purchase cards		6	–
Total financing arrangements utilised		6	–

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

(ii) Secured loan liabilities

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

(e) Bank guarantees

Council 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

Notes to the Financial Statements
for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		650	1,675
Plant and equipment		216	228
Total Commitments		866	1,903
These expenditures are payable as follows:			
Within the next year		773	1,697
Later than one year and not later than 5 years		91	201
Later than 5 years		2	5
Total payable		866	1,697
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		272	1,009
Unexpended Grants		25	-
Externally Restricted Reserves		312	9
Internally Restricted Reserves		257	885
Total Sources of Funding		866	1,903

(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	312	654
Later than one year and not later than 5 years	487	1,636
Later than 5 years	-	-
Total non-cancellable operating lease commitments	799	2,290

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 joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior Periods 2016	Prior Periods 2015	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(4,704)	-6.61%	-10.16%	-6.88%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	71,142				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	61,570	68.44%	70.51%	60.40%	>60%
Total continuing operating revenue ⁽¹⁾	89,967				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	34,922	3.28x	3.64x	3.56x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	10,635				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	14,248	11.54x	9.61x	8.44x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,235				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,884	5.46%	5.44%	5.52%	<5%
Rates, annual and extra charges collectible	52,813				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	44,611	8.91mths	8.4mths	9.5mths	>3mths
Payments from cash flow of operating and financing activities	5,009				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

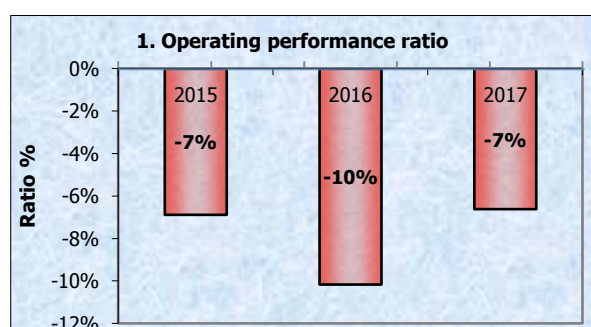
⁽³⁾ Refer to Note 10(a).

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

Notes to the Financial Statements

for the year ended 30 June 2017

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



Purpose of operating performance ratio

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

Commentary on 2016/17 result



2016/17 ratio -6.61%

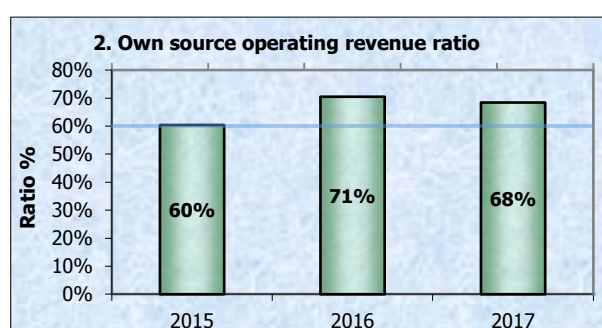
Ratio improved as a result of the advanced payment of 50% of the Financial Assistance Grant for 2017/2018

Ratio needs improvement

Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



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 and contributions.

Commentary on 2016/17 result



2016/17 ratio 68.44%

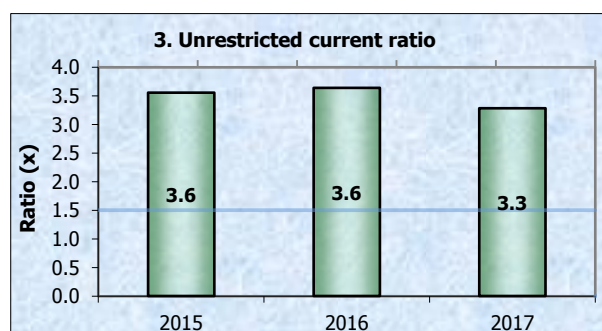
Ratio declined as a result of reductions in user charges and fees, interest income and other income

Ratio is better than benchmark

Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



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 2016/17 result



2016/17 ratio 3.28x

Ratio increased as current assets reduced and current liabilities increased

Ratio is better than benchmark

Benchmark: — Minimum ≥ 1.50

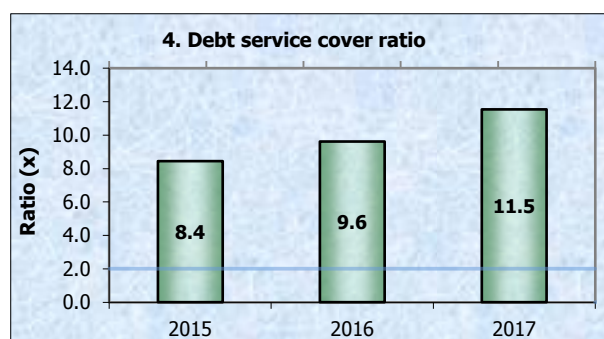
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2017

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



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 2016/17 result



2016/17 ratio 11.54x

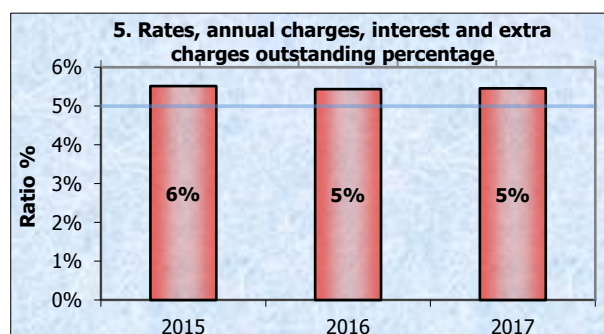
Ratio increased due to an increase over the prior year in available cash to service debt costs, in conjunction with debt costs reducing.

Ratio is better than benchmark.

Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside 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 2016/17 result

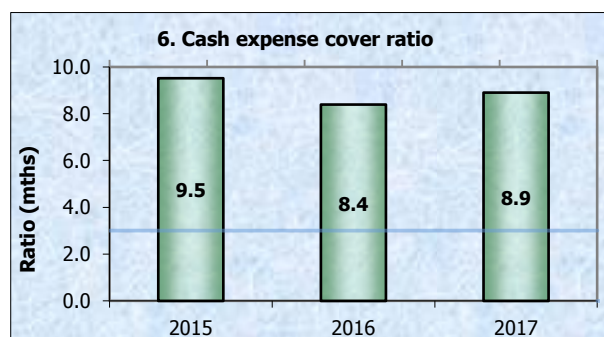
2016/17 ratio 5.46%

Ratio remained consistent as a result of consistent application of debt recovery processes.

Benchmark: — Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



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 2016/17 result



2016/17 ratio 8.91 mths

Ratio increased as a result of increased cash and cash equivalents.

Ratio is better than benchmark.

Benchmark: —

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General indicators ⁵		Sewer indicators		Benchmark
	2017	2016	2017	2016	
Local government industry indicators – by fund					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-6.00%	-9.39%	-12.26%	-17.39%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions					
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	66.40%	68.52%	90.75%	92.96%	>60.00%
Total continuing operating revenue ⁽¹⁾					
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	3.28x	4.23x	3.94x	6.48x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)					

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 activity which is listed separately.

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund) (continued)

\$ '000	General indicators ⁵		Sewer indicators		Benchmark
	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)					
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15.58x	12.89x	3.09x	2.67x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	4.96%	5.18%	9.33%	7.57%	<5%
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	8.67	8.74	15.05	5.10	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	

Notes

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

(5) General fund refers to all of Council's activities except for its sewer activity which is listed separately.

Notes to the Financial Statements
for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>45,312</u>	<u>41,655</u>
Reconciliation of annual movement:			
Opening balance		41,655	47,100
– Acquisitions		-	38
– Capitalised expenditure – this year		79	-
– Disposals during year		-	(335)
– Net gain/(loss) from fair value adjustments		3,578	(5,148)
CLOSING BALANCE – INVESTMENT PROPERTIES		45,312	41,655
(b) Valuation basis			
The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2017 revaluations were based on independent assessments made by: Lunney Watt & Associates Pty Limited			
(c) Contractual obligations at reporting date			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
(d) Leasing arrangements – Council as lessor			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		786	425
Later than 1 year but less than 5 years		473	652
Later than 5 years		249	68
Total minimum lease payments receivable		1,508	1,145
(e) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		1,359	1,349
– Other income		403	395
Direct operating expenses on investment properties:			
– that generated rental income		(281)	(273)
– that did not generate rental income		(176)	(171)
Net revenue contribution from investment properties		1,305	1,300
plus:			
Fair value movement for year		3,578	(5,148)
Total income attributable to investment properties		4,883	(3,848)

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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying Value		Fair Value	
	2017	2016	2017	2016
Financial Assets				
Cash and Cash Equivalents	19,400	5,233	19,400	5,233
Investments				
- "Held to Maturity"	25,211	38,800	25,211	38,800
Receivables	6,978	7,650	6,978	7,650
Total Financial Assets	51,589	51,683	51,589	51,683
Financial Liabilities				
Payables	7,842	7,967	7,842	7,967
Loans / Advances	4,568	5,356	4,568	5,356
Total Financial Liabilities	12,410	13,323	12,410	13,323

Fair value is determined as follows:

- **Cash** and **cash equivalents**, **receivables**, **payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	446	446	(446)	(446)
2016				
Possible impact of a 1% movement in interest rates	440	440	(440)	(440)

Notes to the Financial Statements
for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	80%	0%	80%
Overdue	100%	20%	100%	20%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges				
Current	1,487	3,630	1,424	4,242
< 1 year overdue	332	231	318	270
1 – 2 years overdue	406	217	389	253
2 – 5 years overdue	107	29	103	34
> 5 years overdue	344	347	330	402
	2,676	4,454	2,564	5,203
(iii) Movement in provision for impairment of receivables				
			2017	2016
Balance at the beginning of the year			117	94
+ new provisions recognised during the year				
- amounts already provided for & written off this year			35	23
Balance at the end of the year			152	117

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	1,807	6,035	-	-	-	-	-	7,842	7,842
Loans and advances	-	1,101	1,101	1,101	701	701	701	5,406	4,568
Total financial liabilities	1,807	7,136	1,101	1,101	701	701	701	13,248	12,410
2016									
Trade/other payables	2,794	5,173						7,967	7,967
Loans and advances	-	1,101	1,101	1,101	1,101	701	1,402	6,507	5,356
Total financial liabilities	2,794	6,274	1,101	1,101	1,101	701	1,402	14,474	13,323

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	7,842	0.00%	7,967	0.00%
Loans and advances - fixed interest rate (subsidised)	3,509	5.82%	3,986	5.82%
Loans and advances - interest free	1,059	0.00%	1,370	0.00%
	12,410		13,323	

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

Council's original financial budget for 16/17 was adopted by the Council on 13 June 2017.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* 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	2017 Budget	2017 Actual	2017 ----- Variance* -----	
REVENUES				
Rates and annual charges	49,413	49,754	341	1% F
User Charges & Fees	6,460	6,335	(125)	(2%) U
Interest and investment revenue	1,200	1,434	234	20% F
Investment revenue is more than the Original Budget due to higher level of funds invested than budgeted.				
Other revenues	4,086	7,625	3,539	87% F
The revaluation of investment properties as at 30 June 2017 resulted in a favourable variance, the result of which was unknown at the time of formulating the Original Budget.				
Operating grants and contributions	6,530	9,572	3,042	47% F
Only known grants are budgeted for in the Original Budget. Additional grants were received during the year. The main contributing factor was the advanced payment of 50% of the 2017/2018 Financial Assistance Grant.				
Capital grants and contributions	3,788	18,825	15,037	397% F
Only known grants are budgeted for in the Original Budget. Non cash asset dedications are also not included in the Original Budget.				
Joint ventures and associates - net profits	-	495	495	0% F
Share of profits from joint ventures and associates unknown at time of formulating the Original Budget.				

Notes to the Financial Statements
for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	26,340	26,092	248	1% F
Borrowing costs	413	358	55	13% F
Movements in the Tip remediation provision and unwinding of the fair value adjustment on the Sewer Loan were less than budgeted.				
Materials and contracts	16,701	18,982	(2,282)	(14%) U
Expenditure incurred by Hawkesbury Sports Council is not included in the Original Budget. Additional expenditure as a result of grants received throughout the year were unknown at the time of formulating the Original Budget. A change in the asset maintenance approach for sewer assets, from reactive to proactive also contributed to the variance.				
Depreciation and amortisation	18,410	18,594	(184)	(1%) U
Other expenses	11,952	11,820	132	1% F
Net losses from disposal of assets	-	420	(420)	n/a U
Net Losses from Disposal of Assets are not included in the Original Budget.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	14,251	26,645	12,394	87% F
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.				
Cash flows from investing activities	(15,438)	(11,601)	3,837	(25%) F
The Original Budget does not include the net change in the overall value of the investment portfolio through the placement and redemption of term deposits. Remaining variance relates to changes in project timings due to reprioritisation of works.				
Cash flows from financing activities	(884)	(877)	7	(1%) F

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	39	–	2,862	–	(2,901)	–	–	–
Roads	448	688	6,559	90	(6,559)	950	2,175	1,507
Parking	508	–	–	9	(131)	–	386	–
Open space	230	232	86	41	(108)	624	1,105	–
Community facilities	995	195	–	33	(492)	–	731	622
Recreational Facilities	977	112	–	28	(225)	–	892	254
Bushfire	27	–	–	–	(14)	–	13	–
Extractive Industries	197	73	–	7	–	–	277	–
Land Acquisition	291	578	–	27	(109)	–	787	(3,553)
Plan Administration Reserve	26	3	–	1	–	–	30	–
S94 contributions – under a plan	3,737	1,879	9,507	235	(1,032)	1,574	6,395	(1,170)
S94A levies – under a plan	1,143	820	–	68	(429)	–	1,602	1,170
Total S94 revenue under plans	4,880	2,699	9,507	303	(1,461)	1,574	7,997	–
S93F planning agreements	12	9	–	1	–	–	22	–
S64 contributions	994	930	–	11	–	(1,197)	738	–
Total contributions	5,886	3,638	9,507	314	(1,461)	378	8,757	–

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

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - HAWKESBURY CITY

PURPOSE	Opening balance	Contributions		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		received during the year Cash	Non-cash					
Drainage	39	–	2,862	–	(2,901)	–	–	–
Roads	448	1,054	6,559	90	(6,559)	584	2,175	1,507
Parking	508	–	–	9	(131)	–	386	–
Open space	230	232	86	41	(108)	624	1,105	–
Community facilities	995	195	–	33	(492)	–	731	622
Recreational Facilities	977	112	–	28	(225)	–	892	254
Bushfire	27	–	–	–	(14)	–	13	–
Extractive Industries	197	73	–	7	–	–	277	–
Land Acquisition	291	578	–	27	(109)	–	787	(3,553)
Plan Administration Reserve	26	3	–	1	–	–	30	–
Total	3,737	2,247	9,507	236	(1,032)	1,208	6,395	(1,170)

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - HAWKESBURY CITY

PURPOSE	Opening balance	Contributions		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		received during the year Cash	Non-cash					
Other	1,143	820	–	68	(429)	–	1,602	1,170
Total	4,906	3,070	–	305	(429)	–	1,602	1,170

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) Civic Risk Insurance Pools

Council is one of ten members to Civic Risk, an insurance pool managed by Mutual Management Services 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 net assets of \$44.467M of which Council's proportional share is \$2.925M.

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 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) Defined benefit superannuation

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

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from it's 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.

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

(iii) Potential land acquisitions due to planning

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.

Notes to the Financial Statements
for the year ended 30 June 2017

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

LIABILITIES NOT RECOGNISED (continued):

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

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

and control via co-operative arrangements with other councils, bodies and other outside organisations.
and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

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

	Council's share of net income		Council's Share of Net Assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	495	284	2,925	2,538
Total	495	284	2,925	2,538

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

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

Council's consolidated financial statements incorporate the assets, liabilities and 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	Ownership		Voting rights	
		2017	2016	2017	2016
1. Hawkesbury Sports Council	Sports & Sporting Recreation 136 Windsor Street, RICHMOND NSW 2753				
Interests in Subsidiary					
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 of 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 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 2016/2017, Council contributed \$776K for the operation of HSC and \$279K 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	2017	2016
Revenue	954	905
Expenses	(1,030)	(900)
Profit for the period	(76)	5
Other comprehensive income:		
Fair value adjustment – IPP&E	-	-
Total comprehensive income ⁽¹⁾	(76)	5
⁽¹⁾ Non-controlling interest share	-	-
Dividends paid to non-controlling interests	-	-
Summarised statement of financial position	2017	2016
Current assets	670	790
Non-current assets	89	104
Total assets	759	894

Notes to the Financial Statements

for the year ended 30 June 2017

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		-
Total liabilities	77	58
Net assets ⁽²⁾	682	836
⁽²⁾ Non-controlling interest share	-	-

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Civic Risk West	Joint Venture	Equity Method	2,504	2,087
Civic Risk Mutual	Joint Venture	Equity Method	421	451
Total carrying amounts – material joint ventures and associates			2,925	2,538

(b) Details

Name of entity	Principal activity	Place of business
Civic Risk West	Self insurance provider for public liability and indemnity	Penrith
Civic Risk Mutual	Review Industrial Special Risk and Motor Risk	Penrith

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
			2016	2015	2016	2015	2016	2015
Civic Risk West	n/a	n/a	7%	7%	7%	7%	10%	10%
Civic Risk Mutual	n/a	n/a	76%	6%	7%	5%	6%	6%

Notes to the Financial Statements
for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	Civic Risk West		Civic Risk Mutual	
	2017	2016	2017	2016
Statement of financial position				
Current assets				
Cash and cash equivalents	2,935	3,068	506	-
Other current assets	13,732	9,640	6,239	4,348
Non-current assets	47,434	47,864	5,889	8,539
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	5,008	4,999	2,890	3,146
Other current liabilities	688	523	423	-
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	20,429	22,856	2,830	2,454
Net assets	37,976	32,195	6,490	7,287
Reconciliation of the carrying amount				
Opening net assets (1 July)	32,195	30,051	7,287	7,517
Profit/(loss) for the period	7,465	3,389	(796)	(230)
Dividends paid	-	-	-	-
Dividends received	-	-	-	-
Other adjustments to equity	(1,684)	(1,246)	-	-
Closing net assets	37,976	32,195	6,490	7,287
Council's share of Net Assets (%)	6.6%	6.5%	6.5%	6.2%
Council's share of Net Assets (\$)	2,504	2,087	421	451
	Civic Risk West		Civic Risk Mutual	
	2017	2016	2017	2016
Statement of comprehensive income				
Income	7,066	7,421	8,302	10,269
Interest income	3,757	2,438	584	424
Depreciation and amortisation	-	-	-	-
Interest expense	(17)	(17)	-	-
Other expenses	(3,341)	(6,344)	(9,682)	(10,923)
Profit/(loss) from continuing operations	7,465	3,498	(796)	(230)
Profit/(loss) from discontinued operations	-	-	-	-
Profit/(loss) for period	7,465	3,498	(796)	(230)
Other comprehensive income	-	-	-	-
Total comprehensive income	7,465	3,498	(796)	(230)
Share of income – Council (%)	7.0%	6.4%	3.7%	-26.0%
Profit/(loss) – Council (\$)	524	224	(29)	60
Total comprehensive income – Council (\$)	524	224	(29)	60
Dividends received by Council	108	109	-	-

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(f) The nature and extent of significant restrictions relating to joint ventures and 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

A statutory body responsible for the management of noxious weeds, covering the Hawkesbury, Penrith, Hills and Blacktown LGAs. HRCC earned \$2.5M of revenue and expended \$2.7M in 2016/2017 and holds \$2.0M of equity as at 30 June 2017.

Nature of Risks relating to the Unconsolidated Structured Entity

Council contributed \$169,000 to HRCC in 2016/2017, which represented 7% of total revenue. Only 27% 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 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 involvement is limited to the membership paid annually and is represented on the board by two Councillors.

Current Intention to provide financial support

Council is currently reviewing its continued membership of WSROC.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity
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Regional Strategic Alliance	To achieve cost efficiencies through sharing arrangements between Council, Blue Mountains Council and Penrith Council Joint Arrangement
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Reasons for non-recognition

The Alliance is yet to be formally established as an entity and current funds collected and spent are managed in trust by Blue Mountains Council.

Notes to the Financial Statements
for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		451,255	446,795
a. Correction of prior period errors	20 (c)	-	-
b. Changes in accounting policies (prior period effects)	20 (d)	-	-
c. Other comprehensive income (excl. direct to reserves transactions)		(59,549)	(1,852)
d. Net operating result for the year		17,774	6,312
e. Distributions to/(contributions from) non-controlling Interests		-	-
f. Transfers between equity		-	-
g. Joint ventures and associates		-	-
Balance at end of the reporting period		409,480	451,255

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	596,279	600,418
Total	596,279	600,418

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		600,418	586,695
– Revaluations for the year	9(a)	(4,139)	13,723
– Balance at end of year		596,279	600,418
TOTAL VALUE OF RESERVES		596,279	600,418

(iii) Nature and purpose of reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
– discounting of LUR as per NSW Audit Office		(59,298)	-
– write off of inventory as a result of reconciliation		(143)	-
– adjusted retained earnings to account for Council's share in Civic Mutual		(109)	-
		<u>(59,549)</u>	<u>-</u>
Correction of errors as disclosed in last year's financial statements:			
– Disposal of community land - Duplication of asset and not a owner			(2,871)
– Community Land previously not recorded in asset register			386
– Park Asset Disposed due to the Duplication or not a owner of the asset			(23)
– Adjustment to Tip Provision, as not fully remediated			(231)
– Write off depreciation for TIP Asset			907
– Write off Buildings due to building not owned by council			(17)
– Write off other structures council is not a owner			(12)
– Write off of WIP, as project not continued			(33)
– Allow for movement in retained earnings relating to Sports Council			151
– adjusted retained earnings to account for Council's share in Civic Mutual			(109)
			<u>(1,852)</u>

(d) Voluntary Changes in Accounting Policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Notes to the Financial Statements

as at 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by Fund \$ '000	Actual 2017	Actual 2017
Continuing operations	Sewer	General¹
Income from continuing operations		
Rates and annual charges	5,722	44,032
User charges and fees	857	5,478
Interest and investment revenue	40	1,394
Other revenues	185	7,440
Grants and contributions provided for operating purposes	64	9,508
Grants and contributions provided for capital purposes	656	18,169
Other income		
Net gains from disposal of assets	-	-
Share of interests in joint ventures and associates using the equity method	-	495
Total Income from Continuing Operations	7,524	86,516
Expenses from continuing operations		
Employee benefits and on-costs	1,450	24,642
Borrowing costs	89	269
Materials and contracts	2,766	16,216
Depreciation and amortisation	2,083	16,511
Other expenses	1,289	10,531
Net losses from the disposal of assets	28	392
Share of interests in joint ventures and associates using the equity method	-	-
Total expenses from continuing operations	7,705	68,561
Operating result from continuing operations	(181)	17,955
Discontinued operations		
Net profit/(loss) from discontinued operations	-	-
Net operating result for the year	(181)	17,955
Net operating result attributable to each council fund	(181)	17,955
Net operating result attributable to non-controlling interests	-	-
Net operating result for the year before grants and contributions provided for capital purposes	(837)	(214)

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

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between funds

Notes to the Financial Statements
as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017
ASSETS	Sewer	General¹
Current assets		
Cash and cash equivalents	2,822	16,578
Investments	-	25,211
Receivables	591	5,398
Inventories	-	164
Other	-	773
Total current assets	3,413	48,124
Non-current assets		
Receivables	-	989
Infrastructure, property, plant and equipment	84,082	847,239
Investments accounted for using the equity method	-	2,925
Investment property	75	45,237
Intangible assets	-	242
Total non-current assets	84,157	896,632
TOTAL ASSETS	87,570	944,756
LIABILITIES		
Current liabilities		
Payables	-	7,842
Borrowings	400	510
Provisions	307	9,827
Total current liabilities	707	18,179
Non-current liabilities		
Borrowings	659	2,999
Provisions	40	3,983
Total non-current liabilities	699	6,982
TOTAL LIABILITIES	1,406	25,161
Net assets	86,164	919,595
EQUITY		
Retained earnings	37,757	371,723
Revaluation reserves	48,407	547,872
Council equity interest	86,164	919,595
Non-controlling interests	-	-
Total equity	86,164	919,595

¹ General Fund refers to all Council's activities other than Water, Sewer & Other
NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Notes to the Financial Statements
for the year ended 30 June 2017

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

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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 13 October 2017.

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 24. Discontinued operations

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

Notes to the Financial Statements
for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
---------	----------------	----------------

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

Opening values:

Gross book value (1/7)	2,959	2,697
Accumulated amortisation (1/7)	(2,488)	(2,076)
Accumulated impairment (1/7)	-	-
Net book value – opening balance	471	621

Movements for the year

– Purchases	153	262
– Amortisation charges	(382)	(412)

Closing values:

Gross book value (30/6)	3,085	2,959
Accumulated amortisation (30/6)	(2,843)	(2,488)
Accumulated impairment (30/6)	-	(2,488)

TOTAL INTANGIBLE ASSETS – NET BOOK VALUE

242	471
------------	------------

¹. **The net book value of intangible assets represent:**

– Software	242	471
	242	471

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of Provision	
		2017	2016
South Windsor Waste Depot	2018	3,366	1,529
East Kurrajong Waste Depot	2018	732	-
Balance at end of the reporting period	10(a)	4,098	1,529

Under AASB 116 – Property, Plant and 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	1,529	2,717
Amounts capitalised to new or existing assets:		
Reassessment of provision	2,611	231
Amortisation of discount (expensed to borrowing costs)	51	45
Expenditure incurred attributable to provisions	(93)	(1,465)
Total – reinstatement, rehabilitation and restoration provision	4,098	1,529

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- 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 and recognised at fair values:

Fair value measurements		Fair value measurement hierarchy			Total
	Date of latest Valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2017					
Recurring fair value measurements					
Investment properties					
Investment Properties	30/06/2017	-	-	45,312	45,312
Total investment properties		-	-	45,312	45,312
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/2011	-	-	9,078	9,078
Office Equipment	30/06/2011	-	-	495	495
Furniture and Fittings	30/06/2011	-	-	257	257
Operational Land	30/06/2013	-	-	92,201	92,201
Community Land	30/06/2016	-	-	86,582	86,582
Land under road	30/06/2014	-	-	11,103	11,103
Land Improvements - non depreciable	30/06/2011	-	-	1,106	1,106
Land Improvements - depreciable	30/06/2011	-	-	722	722
Buildings	30/06/2013	-	-	77,086	77,086
Other Structure	30/06/2011	-	-	7,648	7,648
Road, Bridges, Footpaths	30/06/2015	-	-	400,350	400,350
Stormwater Drainage	30/06/2015	-	-	136,008	136,008
Swimming Pools and Other Open Space	30/06/2011	-	-	2,407	2,407
Sewer Network	30/06/2015	-	-	80,512	80,512
Park Asset	30/06/2017	-	-	20,939	20,939
Library books, Heritage & Tip	30/06/2011	-	-	4,828	4,828
Total infrastructure, property, plant and equip		-	-	931,321	931,321

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

2016		Fair Value Measurement Hierarchy			Total
		Level 1	Level 2	Level 3	
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Investment properties					
Investment Properties	30/06/2016	-	-	41,655	41,655
Total investment properties		-	-	41,655	41,655
Infrastructure, property, plant and equipment					
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 Structure	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	30/06/2011	-	-	24,488	24,488
Library books, Heritage & Tip	30/06/2011	-	-	11,634	11,634
Total infrastructure, property, plant and equip		-	-	979,109	979,109

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

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

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

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Financial assets

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

Council does not have any liabilities which are fair valued.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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 and equipment (IPP&E)

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 discounted 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.

Notes to the Financial Statements
for the year ended 30 June 2017

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 is 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 Properties	Plant and Equipment	Office Equipment	Furniture and Fittings	Total
Opening Balance - 1/7/15	47,100	7,954	483	251	55,788
Purchases (GBV)	-	2,716	46	28	2,790
Disposals (WDV)	(335)	(939)	-	-	(1,274)
Depreciation and impairment	-	(1,197)	(253)	(42)	(1,492)
PY Capitalisation	38	24	270	-	332
Revaluation	(5,148)	-	-	-	(5,148)
Closing Balance - 30/6/16	41,655	8,558	546	237	50,996
Purchases (GBV)	79	3,016	82	63	3,240
Disposals (WDV)	-	(1,546)	-	-	(1,546)
Depreciation and impairment	-	(1,145)	(133)	(43)	(1,321)
FV gains – Income Statement	3,578	195	-	-	3,773
Closing Balance - 30/6/17	45,312	9,078	495	257	55,142
	Operational Land	Community Land	Land Under Roads	Land Imp: Non Depn	Total
Opening Balance - 1/7/15	92,266	70,454	60,289	923	223,932
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
Closing Balance - 30/6/16	92,266	79,694	65,887	986	238,768
Purchases (GBV)	-	6,906	4,475	122	11,503
Disposal	-	-	-	(3)	(3)
PY Capitalisation	-	-	21	1	22
Transfers from/(to) another asset class	-	(18)	18	-	-
Discounting Applied as per Audit Office	-	-	(59,298)	-	(59,298)
Closing Balance - 30/6/17	92,266	86,582	11,103	1,106	190,992

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

	Land Imp: Depreciable	Buildings: Non Spec.	Buildings: Specialised	Other Structures	Total
Opening Balance - 1/7/15	742	26,534	51,507	10,285	89,068
Purchases (GBV)	131	764	1,484	687	3,066
Disposals (WDV)	-	(19)	(37)	(51)	(107)
Depreciation and 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)
Closing Balance - 30/6/16	761	27,032	50,477	10,598	88,868
Purchases (GBV)	125	3,542	-	670	4,337
Disposals (WDV)	(5)	(58)	-	-	(63)
Depreciation & Impairment	(21)	(4,304)	-	(293)	(4,618)
Transfers from/(to) another asset class	(146)	-	-	146	-
PY Capitalisation	8	397	-	165	570
Revaluations	-	-	-	(3,638)	(3,638)
Closing Balance - 30/6/17	722	26,609	50,477	7,648	85,456
	Roads, Bridges Footpaths	Stormwater Drainage	Swimming Pools & O/S	Other Assets	Total
Opening Balance - 1/7/15	383,681	124,766	1,163	127,287	636,897
Purchases (GBV)	8,349	3,729	-	5,093	17,171
Disposals (WDV)	(17)	-	-	(282)	(299)
Depreciation and impairment	(6,370)	(1,839)	(59)	(3,405)	(11,673)
PY Capitalisation	4,592	8,523	-	(15,188)	(2,073)
Revaluation	133	-	-	1,584	1,717
Adjustments to PY movements	-	-	-	398	398
Adjustments	-	-	-	(6)	(6)
Closing Balance - 30/6/16	390,368	135,179	1,104	115,481	642,132
Purchases (GBV)	15,634	2,478	119	929	19,160
Disposals (WDV)	(227)	-	(89)	(73)	(389)
Depreciation and impairment	(6,494)	(1,877)	-	(3,812)	(12,183)
Adjustments	-	-	(60)	(5,389)	(5,449)
PY Capitalisation	1,069	228	21	955	2,273
Revaluation	-	-	1,312	(1,813)	(501)
Closing Balance - 30/6/17	400,350	136,008	2,407	106,278	645,043

(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.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
Compensation:	
Short-term benefits	1,632,573
Post-employment benefits	–
Other long-term benefits	145,866
Termination benefits	–
Total	1,778,439

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Councillor Calvert purchased Council supplied laptop at market value at end of lease period		1	-	No guarantee or returns	-	-
Councillor Rassmussen purchased Council supplied laptop and printer at market value at end of lease period		1	-	No guarantee or returns	-	-
Councillor Porter purchased Council supplied laptop and printer at market value at end of lease period		1	-	No guarantee or returns	-	-
Councillor Williams purchased Council supplied printer at market value at end of lease period		0	-	No guarantee or returns	-	-
Councillor Paine purchased Council supplied laptop and printer at market value at end of lease period		1	-	No guarantee or returns	-	-
Councillor Paine purchased Council supplied laptop, modem and printer at market value at end of lease period		1	-	No guarantee or returns	-	-
Councillor Creed purchased Council supplied laptop at market value at end of lease period		1	-	No guarantee or returns	-	-
Daughter of Director Jeff Organ provided design works for community consultation, sourced in accordance with Council's procurement OMS and recruitment processes		4	-	Normal terms	-	-

Notes to the Financial Statements

for the year ended 30 June 2017

Note 29. 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

Opening Hours:

8:30am to 5:00pm
Monday to Friday

Internet: www.hawkesbury.nsw.gov.au

Email: council@hawkesbury.nsw.gov.au

Officers**GENERAL MANAGER**

Peter Conroy

RESPONSIBLE ACCOUNTING OFFICER

Ms Emma Galea

PUBLIC OFFICER

Mr Laurie Mifsud

AUDITORS

NSW Audit Office
15/1 Margaret Street
SYDNEY NSW 2000

Elected Members**MAYOR**

Councillor Mary Lyons-Buckett

COUNCILLORS

Councillor Barry Calvert
Councillor Patrick Conolly
Councillor Emma-Jane Garrow
Councillor Amanda Kotlash
Councillor Mary Lyons-Buckett
Councillor Paul Rasmussen
Councillor Peter Reynolds
Councillor Sarah Richards
Councillor John Ross
Councillor Tiffany Tree
Councillor Danielle Wheeler
Councillor Nathan Zamprogno

Other Information

ABN: 54 659 038 834

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Hawkesbury City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

*Hawkesbury City Council leading and working with our community to
create a healthy and resilient future*



Special Purpose Financial Statements

for the year ended 30 June 2017

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 26 September 2017.

Councillor Mary Lyons-Buckett
MAYOR

Councillor Barry Calvert
DEPUTY MAYOR

Mr Peter Conroy
GENERAL MANAGER

Ms Emma Galea
RESPONSIBLE ACCOUNTING OFFICER

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	5,722	5,382
User charges	857	1,019
Interest	52	65
Grants and contributions provided for non-capital purposes	64	41
Profit from the sale of assets	-	-
Other income	185	19
Total income from continuing operations	6,880	6,526
Expenses from continuing operations		
Employee benefits and on-costs	1,450	1,444
Borrowing costs	-	-
Materials and contracts	2,766	2,489
Depreciation, amortisation and impairment	2,083	2,202
Calculated taxation equivalents	28	60
Loss on sale of assets	52	19
Unwinding of interest free loan	89	108
Other expenses	1,289	1,339
Total expenses from continuing operations	7,757	7,661
Surplus (deficit) from continuing operations before capital amounts	(877)	(1,135)
Grants and contributions provided for capital purposes	656	451
Surplus (deficit) from continuing operations after capital amounts	656	451
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from all operations before tax	(221)	(684)
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(221)	(684)
Plus opening retained profits	37,310	37,839
Plus/less: prior period adjustments	668	155
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	52	60
Less:		
- Tax equivalent dividend paid	(52)	(60)
Closing retained profits	37,757	37,310
Return on capital %	-1.0%	-1.2%
Subsidy from Council	2,878	2,684
Calculation of dividend payable:		
Surplus (deficit) after tax	(221)	(684)
Less: capital grants and contributions (excluding developer contributions)	(30)	-
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	5,722	5,382
User charges	857	1,019
Interest	52	65
Grants and contributions provided for non-capital purposes	64	41
Profit from the sale of assets	-	-
Other income	185	19
Total income from continuing operations	6,880	6,526
Expenses from continuing operations		
Employee benefits and on-costs	1,450	1,444
Borrowing costs	-	-
Materials and contracts	2,766	2,489
Depreciation, amortisation and impairment	2,083	2,202
Calculated taxation equivalents	28	60
Loss on sale of assets	52	19
Unwinding of interest free loan	89	108
Other expenses	1,289	1,339
Total expenses from continuing operations	7,757	7,661
Surplus (deficit) from continuing operations before capital amounts	(877)	(1,135)
Grants and contributions provided for capital purposes	656	451
Surplus (deficit) from continuing operations after capital amounts	656	451
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from all operations before tax	(221)	(684)
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(221)	(684)
Plus opening retained profits	37,310	37,839
Plus/less: prior period adjustments	668	155
Plus adjustments for amounts unpaid:		
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Surplus (deficit) after tax	(221)	(684)
Less: capital grants and contributions (excluding developer contributions)	(30)	-
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Hawkesbury City Council

Statement of Financial Position - Council's Sewerage Business Activity as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	2,822	2,535
Receivables	591	409
Total current Assets	3,413	2,944
Non-current assets		
Infrastructure, property, plant and equipment	84,082	83,251
Investment property	75	75
Total non-current assets	84,157	83,326
TOTAL ASSETS	87,570	86,270
LIABILITIES		
Current liabilities		
Borrowings	400	108
Provisions	307	288
Total current liabilities	707	396
Non-current liabilities		
Borrowings	659	1,262
Provisions	40	58
Total non-current liabilities	699	1,320
TOTAL LIABILITIES	1,406	1,716
NET ASSETS	86,164	84,554
EQUITY		
Retained earnings	37,757	37,310
Revaluation reserves	48,407	47,244
Council equity interest	86,164	84,554
Non-controlling equity interest	-	-
TOTAL EQUITY	86,164	84,554

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	96
3	Sewerage Business Best-Practice Management disclosure requirements	99

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2017

Note 1. Significant accounting policies

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

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. 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 thousand dollars, except for Note 3 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation Equivalent Charges

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

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

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

Note 1. Significant accounting policies

Notional rate applied (%)

Corporate income tax rate – 30%

Land Tax – The first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000, 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 Department of Primary Industries Water (DPIW), 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 to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines 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 the business activities.

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

Note 1. Significant accounting policies

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30 June 2017.

(iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 3. Sewerage Business

Best Practice Management disclosure requirements

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

2017

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	52,000
(ii)	No of assessments multiplied by \$3/assessment	23,724
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	23,724
(iv)	Amounts actually paid for Tax Equivalents	27,066

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	213,516
(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	(1,157,000)

2016 Surplus	(221,000)	2015 Surplus	(684,000)	2014 Surplus	(252,000)
		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 [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

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017

Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	7,418
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	83,535
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	5,530
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,611
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-0.23%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	7,390
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.55%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,611
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-0.23%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2017

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-2.05%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): - 195 Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: - 29 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		>100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(221)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	41

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

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Hawkesbury City Council

SPECIAL SCHEDULES

for the year ended 30 June 2017

*Hawkesbury City Council leading and working with our community to
create a healthy and resilient future*



Special Schedules

for the year ended 30 June 2017

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Special Schedules¹

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- Special Schedule No. 8	Permissible Income Calculation	118

Auditor's Repot

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

Background

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

Special Schedule No. 1 - Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	992	8	-	(984)
Administration	8,850	1,292	67	(7,491)
Public order and safety				
Fire service levy, fire protection, emergency services	2,183	307	989	(887)
Enforcement of local government regulations	501	260	-	(241)
Animal control	975	677	-	(298)
Other	483	613	-	130
Total public order and safety	4,142	1,857	989	(1,296)
Health	727	500	-	(227)
Environment				
Noxious plants and insect/vermin control	802	155	-	(647)
Solid waste management	13,413	13,837	-	424
Street cleaning	298	-	-	(298)
Drainage	2,816	11	3,166	361
Stormwater management	152	-	-	(152)
Total environment	17,481	14,003	3,166	(312)
Community services and education				
Administration and education	745	148	5	(592)
Aged persons and disabled	126	55	-	(71)
Total community services and education	871	203	5	(663)
Housing and community amenities				
Public cemeteries	224	245	-	21
Street lighting	666	161	-	(505)
Town planning	1,729	1,506	-	(223)
Other community amenities	28	18	2,627	2,617
Total housing and community amenities	2,647	1,930	2,627	1,910
Sewerage services	9,486	8,598	656	(232)
Recreation and culture				
Public libraries	2,243	219	216	(1,808)
Museums	389	61	-	(328)
Art galleries	565	76	-	(489)
Sporting grounds and venues	255	179	-	(76)
Parks and gardens (lakes)	6,861	309	369	(6,183)
Other sport and recreation	1,924	213	12	(1,699)
Total recreation and culture	12,237	1,057	597	(10,583)
Fuel and energy	510	65	-	(445)

Special Schedule No. 1 - Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from. continuing. operations.	Income from continuing operations		Net Cost of Services
		Non-capital.	Capital	
Mining, manufacturing and construction				-
Building control	605	436	-	(169)
Transport and communication				
Urban roads (UR) – local	4,455	30	6,340	1,915
Urban roads – regional	1,922	-	2,993	1,071
Sealed rural roads (SRR) – local	2,962	-	99	(2,863)
Sealed rural roads (SRR) – regional	1,273	715	-	(558)
Unsealed rural roads (URR) – local	2,377	(19)	-	(2,396)
Bridges on SRR – local	42	-	913	871
Parking areas	40	(1)	-	(41)
Footpaths	-	-	58	58
Other transport and communication	3,329	902	315	(2,112)
Total transport and communication	16,400	1,627	10,718	(4,055)
Economic affairs	1,318	5,501	-	4,183
Totals – functions	76,266	37,077	18,825	(20,364)
General purpose revenues ⁽²⁾		37,643	-	37,643
Share of interests – joint ventures and associates using the equity method	-	495	-	495
NET OPERATING RESULT ⁽²⁾	76,266	75,215	18,825	17,774

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

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by Source)											
Other State Government	400	1,600	2,000	-	400	-	-	-	400	1,200	1,600
Financial institutions	484	3,502	3,986	-	477	-	-	-	510	2,999	3,509
Total Loans	884	5,102	5,986	-	877	-	-	-	910	4,199	5,109
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	884	5,102	5,986	-	877	-	-	-	910	4,199	5,109

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 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000		Actuals 2017	Actuals 2016
A	Expenses and income		
	Expenses		
1.	Management expenses		
	a. Administration	987	560
	b. Engineering and supervision	1,731	1,541
2.	Operation and maintenance expenses		
	– mains		
	a. Operation expenses	293	993
	b. Maintenance expenses	3	12
	– Pumping stations		
	d. Energy costs	75	75
	e. Maintenance expenses	370	600
	– Treatment		
	f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	912	587
	g. Chemical costs	493	96
	h. Energy costs	251	252
	i. Effluent management	360	519
	k. Maintenance expenses	13	12
	– Other		
	l. Operation expenses	42	46
3.	Depreciation expenses		
	a. System assets	2,030	2,145
	b. Plant and equipment	53	56
4.	Miscellaneous expenses		
	g. Tax equivalents dividends (actually paid)	27	38
5.	Total expenses	7,640	7,532

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	4,587	4,321
7. Non-residential charges		
a. Access (including rates)	24	27
b. Usage charges	1,110	1,034
8. Trade waste charges		
a. Annual fees	840	1,002
9. Extra charges	23	23
10. Interest income	29	41
11. Other income	137	(72)
12. Grants		
b. Grants for pensioner rebates	41	40
13. Contributions		
a. Developer charges	626	451
c. Other contributions	30	-
14. Total income	7,447	6,867
15. Gain (or loss) on disposal of assets	(28)	(19)
16. Operating result	(221)	(684)
16a. Operating result (less grants for acquisition of assets)	(221)	(684)

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	4	164
b. New assets for growth	-	86
c. Renewals	1,509	212
d. Plant and equipment	98	151
18. Repayment of debt	400	400
19. Totals	2,011	1,013
Non-operating funds employed	-	-
20. Proceeds from disposal of assets	22	94
21. Borrowing utilised	-	-
23. Transfer from sinking fund	-	-
22. Totals	22	94
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	2,923	6,890
b. Residential (unoccupied, ie. vacant lot)	44	42
c. Non-residential (occupied)	903	873
d. Non-residential (unoccupied, ie. vacant lot)	38	56
24. Number of ETs for which developer charges were received	78 ET	56 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 304,026	\$ 239,460

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	282		282
b. Special purpose grants	347		347
f. Other	2,193		2,193
27. Receivables			
a. Specific purpose grants	-		-
b. Rates and availability charges	282		282
c. User charges	99		99
d. Other	211		211
28. Inventories	-		-
29. Property, plant and equipment			
a. System assets	-	83,485	83,485
b. Plant and equipment	-	597	597
30. Other assets	-	75	75
31. Total Assets	3,414	84,156	87,570
LIABILITIES			
32. Bank overdraft	-		-
33. Creditors	-		-
34. Borrowings	400	659	1,059
35. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	307	40	347
36. Total Liabilities	707	699	1,406
37. NET ASSETS COMMITTED	2,707	83,457	86,164
EQUITY			
38. Accumulated surplus			37,757
39. Asset revaluation reserve			48,407
40. Other reserves			
41. TOTAL EQUITY			86,164
Note to system assets:			
42. Current replacement cost of system assets			85,565
43. Accumulated current cost depreciation of system assets			(2,030)
44. Written down current cost of system assets			83,535

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. 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 2017

as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard ¹	2016/17 Required maintenance ²	2016/17 Actual maintenance ³	Net carrying amount	Gross Replacement Cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Buildings	Council Offices / Administration Centres	24	631	940	6,890	15,553	3.6%	12.3%	83.6%	0.4%	0.1%
	Council Works Depot	5	193	294	1,992	4,879	3.5%	4.0%	92.3%	0.2%	0.0%
	Council Public Halls	225	289	161	15,792	26,513	5.5%	2.3%	89.5%	2.7%	0.0%
	Libraries	28	174	212	7,652	13,350	1.7%	13.0%	85.0%	0.3%	0.0%
	Cultural Facilities	-	58	82	3,682	6,401	1.2%	4.8%	94.0%	0.0%	0.0%
	Other Buildings	239	93	150	5,846	11,681	0.3%	8.4%	90.3%	1.0%	0.0%
	Council Houses	77	21	2	700	4,084	0.0%	1.4%	97.5%	1.1%	0.0%
	Child Care Centres	2	119	186	6,545	14,452	0.0%	2.6%	97.0%	0.1%	0.3%
	Amenities/Toilets	78	223	233	9,727	18,292	1.1%	3.3%	95.3%	0.3%	0.0%
	Leisure Facilities	572	302	287	15,960	28,226	1.7%	5.6%	88.5%	3.7%	0.5%
	sub total	1,250	2,103	2,547	74,786	143,431	2.2%	5.8%	90.3%	1.5%	0.1%
Other Structures	Other Structures	-	-	-	7,629	-	0%	0%	0%	0%	0%
	sub total	-	-	-	7,629	-	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed Roads Surface	1,225	1,220	984	51,250	67,807	16.6%	62.4%	14.7%	3.7%	2.6%
	Sealed Roads Structure	8,171	4,879	2,861	252,503	380,000	18.6%	49.6%	23.9%	6.6%	1.3%
	Unsealed Roads	518	2,400	2,329	11,251	18,360	1.5%	76.2%	13.5%	7.7%	1.1%
	Footpaths/ Cycle ways	16	95	52	10,527	20,527	21.6%	67.2%	11.1%	0.1%	0.0%
	Bridges	2,300	95	111	31,008	46,720	22.7%	70.3%	2.0%	5.0%	0.0%
	Kerb and Gutter	-	16	7	29,211	50,765	11.2%	35.6%	53.2%	0.0%	0.0%
	Other Road Assets	358	400	365	5,237	6,954	8.0%	15.0%	60.0%	15.3%	1.7%
	Car Park	63	50	24	7,186	10,255	4.6%	31.0%	62.0%	2.4%	0.0%
	sub total	12,651	9,155	6,733	398,172	601,388	17.3%	52.2%	23.9%	5.4%	1.2%

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard ¹	2016/17 Required maintenance ²	2016/17 Actual maintenance ³	Net carrying amount	Gross Replacement Cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Sewerage Network	Mains	699	59	100	10,382	17,382	47.5%	17.4%	21.5%	13.6%	0.0%
	Pumping Station/s	-	412	547	9,758	17,719	29.8%	70.0%	0.2%	0.0%	0.0%
	Treatment Plant	3,920	1,078	3,446	19,063	43,777	40.3%	35.0%	2.2%	6.7%	15.8%
	Reticulation	983	153	293	25,297	60,290	21.5%	4.0%	67.8%	6.5%	0.2%
	Manholes	47	47	55	6,988	19,415	14.4%	38.2%	46.5%	0.9%	0.0%
Recycle Water Network	Treatment Plant	-	-	-	3,869	5,052	0.0%	100.0%	0.0%	0.0%	0.0%
	Reticulation	-	-	-	3,553	3,957	0.0%	100.0%	0.0%	0.0%	0.0%
	sub total	5,649	1,749	4,441	78,909	167,592	28.0%	29.6%	32.6%	5.6%	4.2%
Stormwater Drainage	Retarding Basins	-	40	1	9,843	9,843	100.0%	0.0%	0.0%	0.0%	0.0%
	Stormwater Conduits	-	55	58	110,624	169,258	51.9%	47.9%	0.2%	0.0%	0.0%
	Inlet and Junction Pits	-	5	4	9,179	13,001	84.7%	15.2%	0.0%	0.0%	0.1%
	Head Walls	-	3	3	1,816	2,657	77.9%	22.1%	0.0%	0.0%	0.0%
	Gross Pollutant Traps	-	55	143	2,250	2,591	18.7%	81.3%	0.0%	0.0%	0.0%
	sub total	-	158	209	133,712	197,350	56.4%	43.4%	0.2%	0.0%	0.0%
Open Space/ Recreational	Swimming Pools	12	225	161	2,407	5,033	0.0%	45.0%	53.0%	1.3%	0.7%
	sub total	12	225	161	2,407	5,033	0.0%	45.0%	53.0%	1.3%	0.7%
	TOTAL - ALL ASSETS	19,562	13,390	14,091	695,615	1,114,794	23.80%	41.23%	29.71%	3.97%	1.28%

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

as at 30 June 2016

Notes:

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

Infrastructure asset condition assessment 'key'

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

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Prior Periods 20162015	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	15,154	101.01%	69.20%	50.97%
Depreciation, amortisation and impairment	15,002			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	19,562	2.81%	2.22%	3.00%
Net carrying amount of infrastructure assets	696,236			
3. Asset maintenance ratio				
Actual asset maintenance	14,091	1.05	0.81	0.86
Required asset maintenance	13,390			

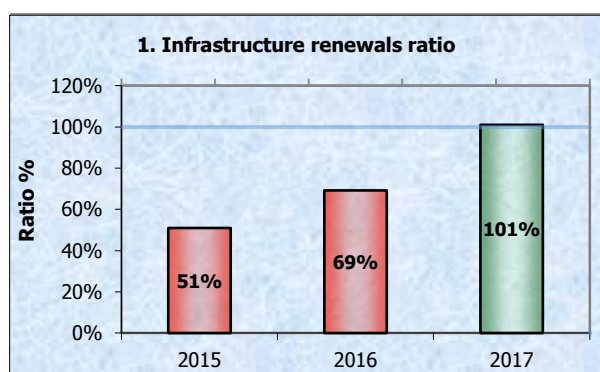
Notes

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

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017



Benchmark: ——— Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result

2016/17 Ratio 101.01%

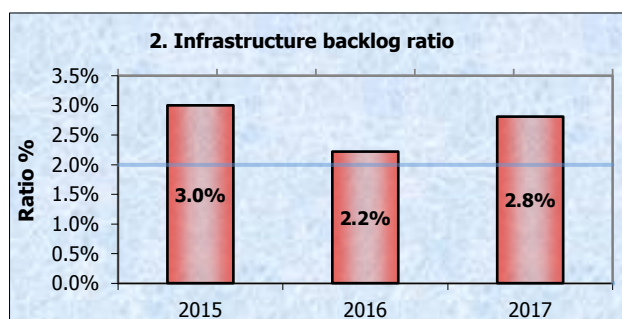
This ratio has improved as a result of increased focus on capital renewal and the additional grants payment in relation to the Roads to Recovery Program.

Ratio is above benchmark.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: ——— Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of infrastructure backlog ratio

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

Commentary on 2016/17 result

2016/17 Ratio 2.81%

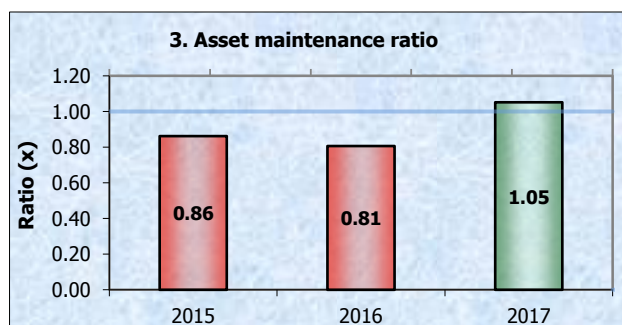
The ratio indicates that Council requires additional renewal to catch up on prior year renewal shortfalls.

Ratio needs improvement.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: ——— Minimum > 1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result

2016/17 Ratio 1.05 x

The ratio is over the minimum benchmark of 1.0, indicating that Council is investing sufficient funds within the year to stop the infrastructure backlog from growing.

Ratio is above benchmark.



Ratio achieves benchmark

Ratio is outside benchmark

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund		
1. Infrastructure renewals ratio		
Asset renewals ⁽²⁾	85.08%	103.44%
Depreciation, amortisation and impairment		
	prior period: 7.41%	79.90%
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	7.16	2.25
Net carrying amount of infrastructure assets		
	prior period: 2.58	2.13%
3. Asset maintenance ratio		
Actual asset maintenance	2.54	0.83
Required asset maintenance		
	prior period: 1.37	0.81

Notes

- (1) General fund refers to all of Council's activities except for its sewer activity which is listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	29,729	30,468
Plus or minus adjustments ⁽²⁾	b	200	256
Notional general income	c = (a + b)	29,929	30,724
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or rate peg percentage	e	1.80%	1.50%
or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	-	-
Plus special variation amount	h = d x (c - g)	539	461
or plus rate peg amount	i = c x e	-	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
Sub-total	k = (c+g+h+i+j)	30,468	31,185
Plus (or minus) last year's carry forward total	l	1	1
Less valuation objections claimed in the previous year	m	-	-
Sub-total	n = (l + m)	1	1
Total permissible income	o = k + n	30,469	31,186
Less notional general income yield	p	30,468	31,186
Catch-up or (excess) result	q = o - p	1	-
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
Less unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	1	-

Notes

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