



Hawkesbury City Council

attachment 2  
to  
item 198

attachment 1  
to  
item 201

General Purpose Financial Statements and  
Special Purpose Financial Statements for the  
period ended 30 June 2012

date of meeting: 13 November 2012  
location: council chambers  
time: 6:30 p.m.





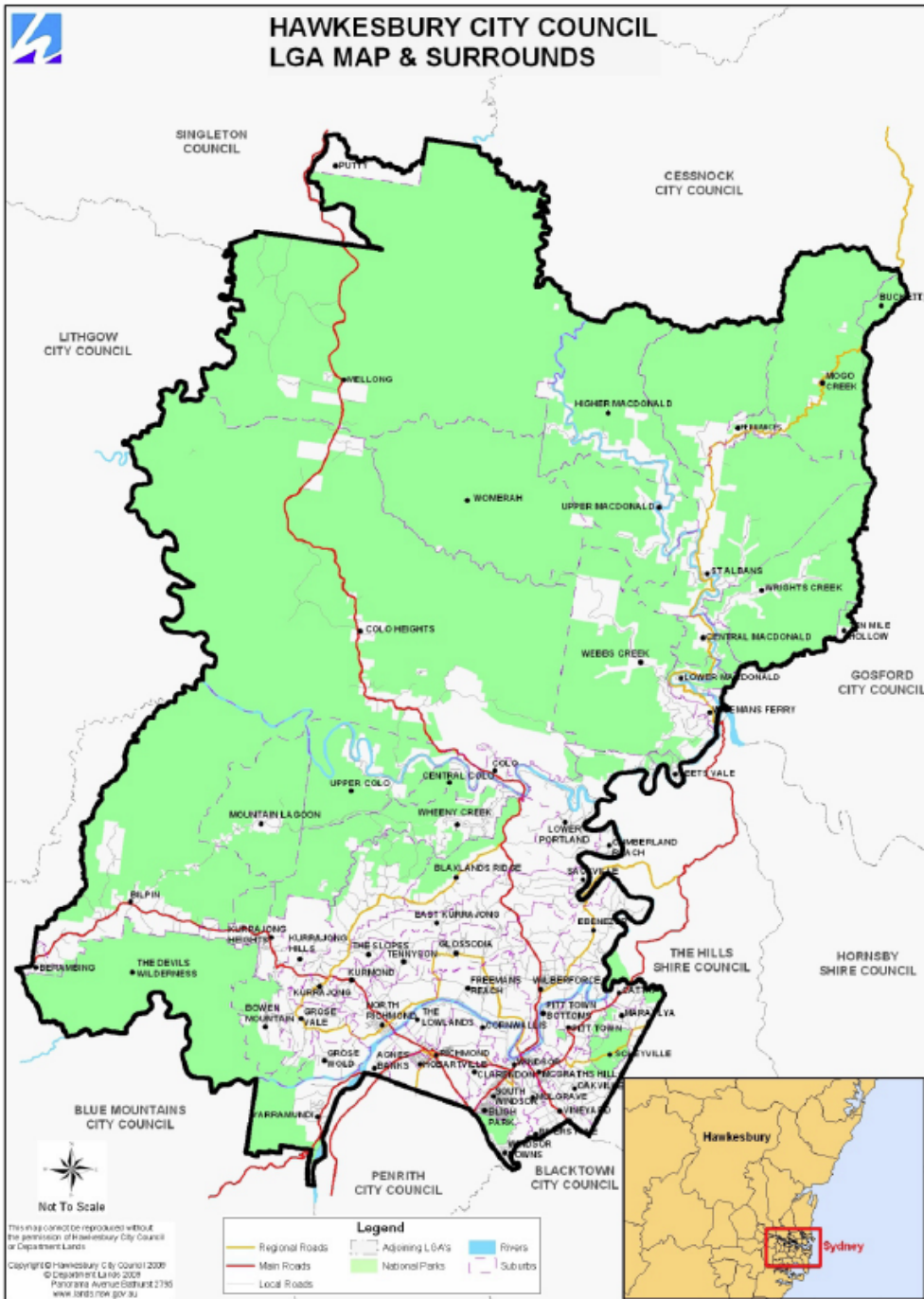
# HAWKESBURY CITY COUNCIL

## **FINANCIAL STATEMENTS** for the year ended 30 June 2012

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

*Looking after People and Place, Caring for Our Environment,  
Linking the Hawkesbury, Supporting Business & Local Jobs,  
Shaping our Future Together*





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**Part 1 General Purpose Financial Statements**

**For the year ended 30 June 2012**





## Overview

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

Council's Statutory Charter is specified in paragraph 8 of the LGA and includes:

- carrying out activities and providing goods, services and facilities appropriate to the current and future needs of the local community and of the wider public;
- responsibility for administering regulatory requirements under the LGA and other legislation; and
- a role in the management, improvement and development of the resources of the Local Government 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 9 October 2012. Council has the power to amend and reissue financial statements.

## Understanding Council's Financial Statements

### Introduction

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

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position and cash flows

of Council for the financial year ended 30 June 2012.

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 NSW Division of Local Government.

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The Financial Statements incorporate five "primary" financial statements:

1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets and Liabilities.

4. A Statement of Changes in Equity

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

## 5. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five Primary Financial Statements.

### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialise in Local Government).

In NSW, the Auditor provides two audit reports:

1. An opinion on whether the Financial Statements present fairly the Council's financial performance & position, and
2. Their observations on the conduct of the Audit including the Council's financial performance & financial position.

### Who uses the Financial Statements?

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

Submissions from the public can be made to Council up to seven days subsequent to the public presentation of the Financial Statements.

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

## Statement by Councillors and Management

### HAWKESBURY CITY COUNCIL

#### General Purpose Financial Statements FOR THE YEAR ENDED 30 June 2012

#### STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO SECTION 413 (2) (c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

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

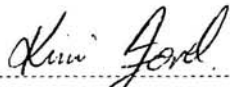
- The Local Government Act 1993 (as amended) and the regulations made thereunder,
- The Australian Accounting Standards and Professional Pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

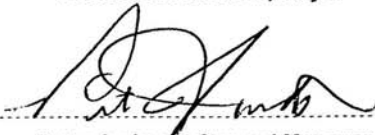
Signed in accordance with a resolution of Council made on 9 October 2012



Councillor Kim Ford, Mayor



Councillor Tiffany Tree, Deputy Mayor



Peter Jackson, General Manager



Emma Galea, Responsible Accounting Officer

## Primary Financial Statements

### Income Statement

#### Hawkesbury City Council

#### Income Statement

for the financial year ended 30 June 2012

Budget <sup>(1)</sup> 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
39,432	Rates & Annual Charges	3a	38,900	37,638
4,339	User Charges & Fees	3b	5,082	4,576
2,000	Interest & Investment Revenue	3c	2,791	2,945
3,500	Other Revenues	3d	3,562	3,534
6,848	Grants & Contributions provided for Operating Purposes	3e,f	9,367	6,981
1,937	Grants & Contributions provided for Capital Purposes	3e,f	17,161	12,266
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	-	290
-	Entities using the equity method	19	212	208
<u>58,056</u>	<b>Total Income from Continuing Operations</b>		<u>77,075</u>	<u>68,438</u>
<b>Expenses from Continuing Operations</b>				
16,766	Employee Benefits & On-Costs	4a	21,284	21,381
200	Borrowing Costs	4b	538	562
18,687	Materials & Contracts	4c	17,513	16,823
20,735	Depreciation & Amortisation	4d	18,407	16,242
10,748	Other Expenses	4e	10,736	8,923
-	Net Losses from the Disposal of Assets	5	289	-
<u>67,136</u>	<b>Total Expenses from Continuing Operations</b>		<u>68,767</u>	<u>63,931</u>
<u>(9,080)</u>	<b>Operating Result from Continuing Operations</b>		<u>8,308</u>	<u>4,507</u>
<u>(9,080)</u>	<b>Net Operating Result for the Year</b>		<u>8,308</u>	<u>4,507</u>
(9,080)	Net Operating Result attributable to Council		8,308	4,507
	Net Operating Result attributable to Minority Interests		-	-
	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<u>(8,853)</u>	<u>(7,759)</u>
<u>(11,017)</u>				

(1) Original Budget as approved by Council - refer Note 16

## Statement of Comprehensive Income

### Hawkesbury City Council

#### Statement of Comprehensive Income

for the financial year ended 30 June 2012

<u>\$ '000</u>	<u>Notes</u>	<u>Actual 2012</u>	<u>Actual 2011</u>
Net Operating Result for the year (as per Income statement)		<b>8,308</b>	<b>4,507</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,906	121,719
Changes in Accounting Policies (prior year effects)	20b (ii)		13,507
Correction of Prior Period Errors	20b (ii)	(977)	(44,969)
Adjustment to Revaluation Reserve	20b (ii)		(122)
Total Other Comprehensive Income for the year		<b>929</b>	<b>90,135</b>
Total Comprehensive Income for the Year		<b>9,237</b>	<b>94,642</b>
Total Comprehensive Income attributable to Council		9,237	94,642
Total Comprehensive Income attributable to Minority Interests			-

## Balance Sheet

### Hawkesbury City Council

#### Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	4,919	8,300
Investments	6b	35,450	35,700
Receivables	7	4,791	4,176
Inventories	8	183	189
Other	8	274	145
<b>Total Current Assets</b>		<b>45,617</b>	<b>48,510</b>
<b>Non-Current Assets</b>			
Receivables	7	1,136	1,184
Infrastructure, Property, Plant & Equipment	9	739,020	726,453
Investments accounted for using the equity method	19	1,838	1,626
Investment Property	14	24,596	25,855
<b>Total Non-Current Assets</b>		<b>766,590</b>	<b>755,118</b>
<b>TOTAL ASSETS</b>		<b>812,207</b>	<b>803,628</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	5,129	6,082
Borrowings	10	389	382
Provisions	10	7,396	7,527
<b>Total Current Liabilities</b>		<b>12,914</b>	<b>13,991</b>
<b>Non-Current Liabilities</b>			
Borrowings	10	2,460	2,463
Provisions	10	5,735	5,313
<b>Total Non-Current Liabilities</b>		<b>8,195</b>	<b>7,776</b>
<b>TOTAL LIABILITIES</b>		<b>21,109</b>	<b>21,767</b>
<b>Net Assets</b>		<b>791,098</b>	<b>781,861</b>
<b>EQUITY</b>			
Retained Earnings	20	305,853	298,133
Revaluation Reserves	20	485,245	483,728
Council Equity Interest		791,098	781,861
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>791,098</b>	<b>781,861</b>

## Statement of Changes in Equity

### Hawkesbury City Council

#### Statement of Changes in Equity

for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2012</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		298,133	483,728	<b>781,861</b>	-	<b>781,861</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/10)</b>		<b>298,133</b>	<b>483,728</b>	<b>781,861</b>	-	<b>781,861</b>
<b>c. Net Operating Result for the Year</b>		<b>8,308</b>		<b>8,308</b>	-	<b>8,308</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		1,906	<b>1,906</b>		<b>1,906</b>
- Correction of Prior Period Errors (retained earnings)	20 (c)	(977)	-	<b>(977)</b>		<b>(977)</b>
<b>Other Comprehensive Income</b>		<b>(977)</b>	<b>1,906</b>	<b>929</b>	-	<b>929</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>7,331</b>	<b>1,906</b>	<b>9,237</b>	-	<b>9,237</b>
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		389	(389)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>305,853</b>	<b>485,245</b>	<b>791,098</b>	-	<b>791,098</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		325,088	362,131	<b>687,219</b>	-	<b>687,219</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/09)</b>		<b>325,088</b>	<b>362,131</b>	<b>687,219</b>	-	<b>687,219</b>
<b>c. Net Operating Result for the Year</b>		<b>4,507</b>	-	<b>4,507</b>	-	<b>4,507</b>
d. Other Comprehensive Income						
- Changes in Accounting Policies (prior year effects)	20b (ii)	13,507	121,719	<b>135,226</b>	-	<b>135,226</b>
- Correction of Prior Period Errors (retained earnings)	20b (ii)	(44,969)	(122)	<b>(45,091)</b>	-	<b>(45,091)</b>
<b>Other Comprehensive Income</b>		<b>(31,462)</b>	<b>121,597</b>	<b>90,135</b>	-	<b>90,135</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>(26,955)</b>	<b>121,597</b>	<b>94,642</b>	-	<b>94,642</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>298,133</b>	<b>483,728</b>	<b>781,861</b>	-	<b>781,861</b>

## Statement of Cash Flows

### Hawkesbury City Council

#### Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
39,432	Rates & Annual Charges		39,105	37,244
4,339	User Charges & Fees		4,860	4,226
2,000	Investment & Interest Revenue Received		3,009	2,902
8,785	Grants & Contributions		11,446	19,787
3,500	Other		7,658	7,796
<b>Payments:</b>				
(16,767)	Employee Benefits & On-Costs		(21,295)	(20,565)
(18,687)	Materials & Contracts		(18,446)	(16,517)
(200)	Borrowing Costs		2	11
-	Bonds, Deposits & Retention amounts refunded		(75)	309
(10,748)	Other		(13,455)	(13,130)
<b>11,654</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>12,809</b>	<b>22,063</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
	Sale of Investment Securities		66,200	-
1,072	Sale of Infrastructure, Property, Plant & Equipment		636	954
	Deferred Debtors Receipts		-	5
<b>Payments:</b>				
	Purchase of Investment Securities		(65,950)	(8,200)
	Purchase of Investment Property		(17)	-
(7,827)	Purchase of Infrastructure, Property, Plant & Equipment		(16,659)	(23,248)
<b>(6,755)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(15,790)</b>	<b>(30,489)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
	Repayment of Borrowings & Advances		(400)	(400)
<b>1,890</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(400)</b>	<b>(400)</b>
<b>6,789</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(3,381)</b>	<b>(8,826)</b>
8,300	plus: Cash & Cash Equivalents - beginning of year	11a	8,300	17,126
<b>15,089</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>4,919</b>	<b>8,300</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	35,450	35,700
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>40,369</b>	<b>44,000</b>
Please refer to Note 11 for information on the following:				
- Non Cash Financing & Investing Activities.				
- Financing Arrangements.				
- Net cash flow disclosures relating to any Discontinued Operations				



## Notes to the General Purpose Financial Statements

### Note 1 - Summary of Significant Accounting Policies

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

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

#### (a) Basis of preparation

##### (i) Background

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

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

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

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

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

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

complied fully with Australian Accounting Standards.

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

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011, affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

##### (v) Basis of Accounting

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

- financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value;
- the write down of any Asset on the basis of Impairment (if warranted); and
- certain classes of Infrastructure, property, plant and equipment that are accounted for at fair valuation.

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

(vi) *Changes in Accounting Policies*

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

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

(vii) *Critical Accounting Estimates*

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

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

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

*Critical accounting estimates and assumptions*

Council makes estimates and assumptions concerning the future.

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

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

- Estimated fair values of investment properties
- Estimated fair values of infrastructure, property, plant and equipment.
- Estimated tip remediation provisions.

*Critical judgements in applying the entity's accounting policies*

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

- Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) **Revenue recognition**

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

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

(i) *Rates, Annual Charges, Grants and Contributions*

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

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

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

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the

Council and (ii) the amount of the contribution can be measured reliably.

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

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

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

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

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

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

#### *(ii) User Charges, Fees and Other Income*

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

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

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

#### *(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 and Rents*

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs. Interest Income from Cash and Investments is accounted for using the Effective Interest method in accordance with AASB 139.

#### **(c) Principles of Consolidation**

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it controls (as at 30/6/2012) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

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

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

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

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

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

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

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

*(ii) The Trust Fund*

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

Trust monies and property subject to Council's control have been included in these statements.

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

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

*(iii) Joint Ventures*

Jointly Controlled Assets and Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

Jointly Controlled Entities

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

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

*(iv) Associated Entities*

Where Council has the power to participate in the financial and operating decisions (of

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

Such entities are usually termed Associates.

*(v) County Councils*

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

- Hawkesbury River County Council

*Control of noxious weeds; incorporating four member councils*

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

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

*(vi) Additional Information*

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

**(d) Leases**

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

*(i) Finance Leases*

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

#### *(ii) Operating Leases*

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

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

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

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

Cash and cash equivalents includes;

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

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

#### **(f) Investments and Other Financial Assets**

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

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

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

#### *(ii) Loans and receivables*

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

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

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities

that the Council's management has the positive intention and ability to hold to maturity.

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

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

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

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

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

*(v) Financial Assets – Reclassification*

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

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

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

assets for the foreseeable future or until maturity at the date of reclassification.

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

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

*(vi) General Accounting and Measurement of Financial Instruments:*

Initial Recognition

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

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

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

Subsequent Measurement

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

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

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

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "available-for-sale" are

recognised in equity in the available-for-sale investments revaluation reserve.

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

#### Impairment

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

#### Types of Investments

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

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

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

#### **(g) Fair value estimation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

##### Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

#### **(j) Infrastructure, Property, Plant and Equipment (I,P,P&E)**

##### *(i) Acquisition of assets*

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

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

- **Investment Properties** – refer Note 1(p) ;
- **Water and Sewerage Networks** (External Valuation) – Indexed annually between revaluations;
- **Operational Land** (External Valuation);
- **Buildings – Specialised/Non Specialised** (External Valuation);
- **Plant and Equipment** (as approximated by depreciated historical cost);
- **Roads Assets incl. roads, bridges and footpaths** (Internal Valuation) ;
- **Drainage Assets** (Internal Valuation);
- **Bulk Earthworks** (Internal Valuation);
- **Community Land** (Valuer General Valuation);



- **Land Improvements** (as approximated by depreciated historical cost);
- **Other Structures** (External Valuation); and
- **Other Assets** (as approximated by depreciated historical cost)

(ii) *Initial Recognition*

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

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

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

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

(iii) *Subsequent costs*

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

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

(iv) *Asset Revaluations (including Indexation)*

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

- 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 recognised via the profit or loss, then increase is first recognised in profit or loss.
- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

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

(v) *Capitalisation Thresholds*

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

**Land**

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

**Plant and Equipment**

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

**Buildings and Land Improvements**

Park Furniture & Equipment	> \$1,000
Building	
- construction/extensions	> \$1,000
- renovations	> \$1,000
Other Structures	> \$1,000

**Sewer Assets**

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

**Stormwater Assets**

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

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**Transport Assets**

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

**(vi) Depreciation**

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

Land is not depreciated.

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

**Plant and Equipment**

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

**Other Equipment**

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

**Buildings**

- Buildings	50 to 100 years
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**Stormwater Drainage**

- Drains	60 to 80 years
- Culverts	50 to 80 years

**Transportation Assets**

- Sealed Roads: Surface	12 to 20 years
- Sealed Roads: Structure	50 to 60 years
- Bridge: Concrete	80 to 100 years
- Bridge: Other	50 to 60 years
- Road Pavements	60 years
- Kerb, Gutter and Paths	40 to 60 years

**Sewer Assets**

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

**Other Infrastructure Assets**

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

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

**(vii) Disposal and De-recognition**

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

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

**(k) Land**

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

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

**(l) Land under roads**

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

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

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

**(m) Intangible Assets****(i) IT Development and Software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and

payroll related costs of employees' time spent on the project.

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

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

#### **(n) Crown Reserves**

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

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

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

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

#### **(o) Rural Fire Service assets**

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

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

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

#### **(p) Investment property**

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30/06/2010.

#### **(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries**

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

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

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

Costs are estimated on the basis of a closure plan.

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

Close down, Restoration and Remediation costs are a normal consequence of tip and

quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

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

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

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

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

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

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

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

These costs are charged to the income statement.

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

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques. As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new

restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

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

**(r) Non-Current Assets (or Disposal Groups) "Held for Sale" and Discontinued Operations**

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

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

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

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

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

A Discontinued Operation is a component of the entity that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a

subsidiary acquired exclusively with a view to resale.

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

#### **(s) Impairment of assets**

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

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

#### **(t) Payables**

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

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

#### **(u) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

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

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

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

#### **(v) Borrowing costs**

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

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

#### **(w) Provisions**

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

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

Provisions are not recognised for future operating losses.

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

A provision is recognised even if the likelihood of an outflow with respect to any one item

included in the same class of obligations may be small.

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

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

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

**(x) Employee benefits**

**(i) Short Term Obligations**

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

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

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

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

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

**(ii) Other Long Term Obligations**

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

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

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

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

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

**(iii) Retirement benefit obligations**

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

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

**Defined Benefit Plans**

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

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

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

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

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

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

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$2.34 million at 30 June 2012.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

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

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

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

### Defined Contribution Plans

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

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

#### *(iv) Employee Benefit On-Costs*

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

#### *(y) Self insurance*

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

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

#### *(z) Allocation between current and non-current assets and liabilities*

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

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

#### *(i) Exceptions*

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

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

**(aa) Taxes**

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax. Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

**(i) Goods and Services Tax (GST)**

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

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

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

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

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

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

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

**(ab) New accounting standards and UIG interpretations**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

*Council has not adopted any of these standards early.*

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

**(i) Applicable to Local Government with implications:**

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

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

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



AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

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

Based on the assessment of rights and obligations, a joint arrangement will be

classified as either a joint operation or a joint venture.

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(ii) *Applicable to Local Government but no implications for Council;*

None

(iii) *Applicable to Local Government but not relevant to Council at this stage;*

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

(iv) *Not applicable to Local Government per se;*

None

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

**(ac) Rounding of amounts**

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

**(ad) Comparative Figures**

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

**(ae) Disclaimer**

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

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

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### 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 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Governance		-	-	701	702	809	(701)	(702)	(809)	-	-	5	5
Administration	3,355	1,069	3,326	3,094	2,563	3,321	261	(1,494)	5	-	-	83,966	81,746
Public Order & Safety	1,507	1,497	1,529	3,570	3,657	3,336	(2,063)	(2,160)	(1,807)	96	62	11,830	11,417
Health	379	423	400	609	591	605	(230)	(168)	(205)	-	-	22	22
Environment		-	-		-	-	-	-	-	10	-		-
Community Services & Education	180	197	188	1,360	1,570	1,452	(1,180)	(1,373)	(1,264)	108	99	105	115
Housing & Community Amenities	12,263	16,352	11,718	15,918	14,798	14,240	(3,655)	1,554	(2,522)	221	154	166,798	159,948
Sewerage Services	5,731	6,290	11,067	5,911	6,771	6,390	(180)	(481)	4,677	38	37	92,859	91,855
Recreation & Culture	136	1,118	2,234	13,334	16,103	14,666	(13,198)	(14,985)	(12,432)	675	680	47,155	46,464
Fuel & Energy	601	475	625	432	461	448	169	14	177	91	89	47,234	48,842
Mining, Manufacturing & Construction	419	399	387	835	792	835	(416)	(393)	(448)		-		-
Transport & Communication	3,690	14,088	6,786	18,571	16,758	14,751	(14,881)	(2,670)	(7,965)	1,573	3,684	346,214	345,514
Economic Affairs	1,791	1,717	1,857	1,510	2,749	1,743	281	(1,032)	114		-	15,522	16,074
<b>Total Functions &amp; Activities</b>	<b>30,052</b>	<b>43,625</b>	<b>40,117</b>	<b>65,845</b>	<b>67,515</b>	<b>62,596</b>	<b>(35,793)</b>	<b>(23,890)</b>	<b>(22,479)</b>	<b>2,812</b>	<b>4,805</b>	<b>811,710</b>	<b>802,002</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		212	208		-	-	-	212	208		-	1,838	1,626
General Purpose Income <sup>1</sup>	28,004	33,238	28,113	1,291	1,252	1,335	26,713	31,986	26,778	5,929	4,802	(1,341)	-
<b>Operating Result from Continuing Operations</b>	<b>58,056</b>	<b>77,075</b>	<b>68,438</b>	<b>67,136</b>	<b>68,767</b>	<b>63,931</b>	<b>(9,080)</b>	<b>8,308</b>	<b>4,507</b>	<b>8,741</b>	<b>9,607</b>	<b>812,207</b>	<b>803,628</b>

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

## Note 2(b) - Council Functions/Activities – Component Descriptions

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

(i) *Governance*

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

(ii) *Administration*

Corporate Support and other Support Services (not otherwise attributed to the listed functions/activities).

(iii) *Public Order and Safety*

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

(iv) *Health*

Inspection, immunisations, food control, health centres, other, administration.

(v) *Environment*

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

(vi) *Community Services and Education*

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

(vii) *Housing and community amenities*

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

(viii) *Water supplies*

(ix) *Sewerage services*

(x) *Recreation and culture*

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

(xi) *Fuel and Energy*

Gas supplies

(xii) *Mining, manufacturing and construction*

Building control, abattoirs, quarries & pits, other.

(xiii) *Transport and Communication*

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, other.

(xiv) *ECONOMIC AFFAIRS*

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

## Note 3 - Income from Continuing Operations

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		21,643	20,906
Farmland		1,372	1,230
Business		2,503	2,387
<b>Total Ordinary Rates</b>		<b>25,518</b>	<b>24,523</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		7,283	6,736
Sewerage Services		4,371	3,995
Waste Management Services (non-domestic)		763	669
Section 611 Charges		16	15
Sullage		949	1,700
<b>Total Annual Charges</b>		<b>13,382</b>	<b>13,115</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>38,900</b>	<b>37,638</b>

Council has used 2008 year valuations provided by the NSW Valuer General in calculating its rates.

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Sewerage Services		521	365
Waste Management Services (non-domestic)		17	15
Sullage		238	264
<b>Total User Charges</b>		<b>776</b>	<b>644</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		849	892
Regulatory/ Statutory Fees		205	194
Registration Fees		2	3
Section 149 Certificates (EPA Act)		184	153
Section 603 Certificates		80	72
SMF Inspection Fees		199	205
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,519</b>	<b>1,519</b>
<b>(ii) Fees &amp; Charges - Other</b> (incl. General User Charges (per s.608))			
Caravan Park		3	3
Cemeteries		204	139
Dog Pound		482	535
Leaseback Fees - Council Vehicles		215	205
Library		71	68
Park Rents		153	6
Restoration Charges		210	42
Swimming Centres / Sports Stadium		147	151
Vehicle Inspection Fees		14	17
Waste Management Facility		1,273	1,223
Other		15	24
<b>Total Fees &amp; Charges - Other</b>		<b>2,787</b>	<b>2,413</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>5,082</b>	<b>4,576</b>

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		229	195
- Interest earned on Investments (interest & coupon payment income)		2,562	2,750
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>2,791</u></b>	<b><u>2,945</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		229	195
General Council Cash & Investments		1,697	1,803
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94 /94A		354	384
- Section 64			1
Sewerage Fund Operations		253	383
Domestic Waste Management operations		57	49
Stormwater Management		102	124
Other Externally Restricted Assets		5	6
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		94	-
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>2,791</u></b>	<b><u>2,945</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Investment Properties	14	1,509	1,590
Rental Income - Other Council Properties		424	395
Fines - Parking		397	392
Fines - Other		75	63
Legal Fees Recovery - Rates & Charges (Extra Charges)		386	407
Insurance Claim Recoveries		99	-
Sales - General		2	2
GST Fuel Rebates		67	65
NSW Rural Fire Reimbursement		149	131
Recycling Income		132	170
Other		322	319
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>3,562</u></b>	<b><u>3,534</u></b>

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	3,613	2,945	-	-
Financial Assistance - Local Roads Component	2,010	1,552	-	-
Pensioners' Rates Subsidies - General Component	306	305	-	-
<b>Total General Purpose</b>	<b>5,929</b>	<b>4,802</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Sewerage	38	37	-	-
- Domestic Waste Management	116	106	-	-
Aged Care	51	46	-	-
Community Care	57	53	-	-
Environmental Protection	10	-	-	-
Housing and Community	84	49	20	-
Public Order & Safety	46	61	50	-
Recreation & Culture	527	375	148	305
Street Lighting	91	89	-	-
Transport (Other Roads & Bridges Funding)	787	650	787	3,034
<b>Total Specific Purpose</b>	<b>1,807</b>	<b>1,466</b>	<b>1,005</b>	<b>3,339</b>
<b>Total Grants</b>	<b>7,736</b>	<b>6,268</b>	<b>1,005</b>	<b>3,339</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	6,084	4,945	510	2,817
- State Funding	1,652	1,323	495	522
	<b>7,736</b>	<b>6,268</b>	<b>1,005</b>	<b>3,339</b>



## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<i>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</i>				
S 94 - Contributions towards amenities/services	-	36	154	444
S 94A - Fixed Development Consent Levies	-	-	446	103
S 64 - Sewerage Service Contributions	-	-	210	56
<b>Total Developer Contributions</b>	<b>17</b>	<b>36</b>	<b>810</b>	<b>603</b>
<b>Other Contributions:</b>				
Bushfire Prevention	334	235	-	-
Dedications (s94)	-	-	14,311	1,769
Other Councils - Joint Works/Services	461	201	-	-
Parks Contributions	-	26	-	16
Regional & Local Infrastructure	-	20	-	379
Roads & Bridges	697	-	76	-
Sewerage (excl. Section 64 contributions)	-	-	959	6,160
Other	139	195	-	-
<b>Total Other Contributions</b>	<b>1,631</b>	<b>677</b>	<b>15,346</b>	<b>8,324</b>
<b>Total Contributions</b>	<b>1,631</b>	<b>713</b>	<b>16,156</b>	<b>8,927</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>9,367</b>	<b>6,981</b>	<b>17,161</b>	<b>12,266</b>

## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Actual 2012	Actual 2011
<b>(g). Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	8,201	9,631
add: Grants & contributions recognised in the current period but not yet spent:	1,591	4,221
less: Grants & contributions recognised in a previous reporting period now spent:	(1,721)	(5,651)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(130)</b>	<b>(1,430)</b>
<b>Unexpended and held as Restricted Assets</b>	<b>8,071</b>	<b>8,201</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	421	1,425
- Developer Contributions	7,650	6,776
	<b>8,071</b>	<b>8,201</b>

## Note 4 - Expenses from Continuing Operations

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		16,687	16,043
Travelling		12	10
Employee Leave Entitlements (ELE)		2,432	2,688
Superannuation		2,114	2,218
Workers' Compensation Insurance		159	697
Fringe Benefit Tax (FBT)		45	21
Payroll Tax		27	20
Training Costs (other than Salaries & Wages)		211	217
Other		6	8
<b>Total Employee Costs</b>		<b>21,693</b>	<b>21,922</b>
less: Capitalised Costs		(409)	(541)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>21,284</b>	<b>21,381</b>
Number of "Equivalent Full Time" Employees at year end		266	257
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		268	268
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Nil			
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	134	193
Premium recognised on financial instrument transaction		-	-
- * Unwinding of interest free loan from State Government		404	369
<b>Total Other Borrowing Costs</b>		<b>538</b>	<b>562</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>538</b>	<b>562</b>
* Unwinding of interest free loan calculation was based on 2.82%			

# Hawkesbury City Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		10,193	9,329
Contractor & Consultancy Costs		6,193	6,317
Auditors Remuneration <sup>(1)</sup>		57	57
Legal Expenses:			
- Legal Expenses: Planning & Development		58	93
- Legal Expenses: Other		99	105
- Legal Expenses: Debt Recovery		295	330
Operating Leases:			
- Operating Lease Rentals: Contingent Rentals <sup>(2)</sup>		478	407
Other		140	185
<b>Total Materials &amp; Contracts</b>		<b>17,513</b>	<b>16,823</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>17,513</b>	<b>16,823</b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		50	50
- Audit Services: Auditors of other Consolidated Entities		7	7
<b>Remuneration for audit and other assurance services</b>		<b>57</b>	<b>57</b>
<b>(ii) Taxation Services</b>			
- Tax compliance services		-	-
<b>Remuneration for taxation services</b>		<b>-</b>	<b>-</b>
<b>(iii) Other Services</b>			
- Remuneration advice		-	-
<b>Remuneration for other services</b>		<b>-</b>	<b>-</b>
<b>Total Auditor Remuneration</b>		<b>57</b>	<b>57</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		342	-
Other		136	407
		<b>478</b>	<b>407</b>

## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>(d) Depreciation, Amortisation &amp; Impairment</b>					
Plant and Equipment		-	-	1,687	1,534
Office Equipment		-	-	337	426
Furniture & Fittings		-	-	32	37
Land Improvements (depreciable)		-	-	315	290
Buildings - Non Specialised		-	-	621	604
Buildings - Specialised		-	-	2,899	2,821
Other Structures		-	-	804	381
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,713	5,589
- Stormwater Drainage		-	-	1,552	1,557
- Sewerage Network		-	-	2,670	2,473
Other Assets					
- Heritage Collections		-	-	-	350
- Library Books		-	-	385	107
- Park Asset		-	-	1,266	-
Tip Asset	9 & 26	-	-	126	73
<b>Total Depreciation &amp; Impairment Costs</b>		-	-	<b>18,407</b>	<b>16,242</b>
less: Capitalised Costs		-	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		-	-	<b>18,407</b>	<b>16,242</b>

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		129	155
Bad & Doubtful Debts		4	7
Bank Charges		158	152
Cleaning		334	330
Computer Software Charges		578	536
Contributions/Levies to Other Levels of Government		-	-
- Bushfire Fighting Fund		465	398
- NSW Fire Brigade Levy		138	138
- Waste S88 EPA Contribution		2,006	1,721
- Other Contributions/Levies		549	492
Councillor Expenses - Mayoral Fee		34	35
Councillor Expenses - Councillors' Fees		200	192
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		87	79
Donations, Contributions & Assistance to other organisations (Section 356)		96	84
Electricity & Heating		828	734
Fire Control Expenses		148	135
Gas		53	67
Insurance		1,009	862
Licences & Subscriptions		132	107
Office Expenses (including computer expenses)		67	172
Postage		127	138
Printing & Stationery		84	100
Revaluation Decrements (Fair Valuation of Investment Properties)	14	1,276	-
Security		40	31
Sewerage Treatment Works Operations		774	724
Stormwater - Environmental		64	76
Street Lighting		642	582
Telephone & Communications		209	212
Valuation Fees (Rates)		126	165
Water		127	124
Other		252	375
<b>Total Other Expenses</b>		<b>10,736</b>	<b>8,923</b>
less: Capitalised Costs		-	-
<b>TOTAL OTHER EXPENSES</b>		<b>10,736</b>	<b>8,923</b>

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

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		636	954
less: Carrying Amount of P&E Assets Sold / Written Off		(536)	(664)
<b>Net Gain/(Loss) on Disposal</b>		<b>100</b>	<b>290</b>
<b>Infrastructure</b>			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(389)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(389)</b>	<b>-</b>
<b>Financial Assets</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		66,200	-
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(66,200)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(289)</b>	<b>290</b>

## Note 6(a) - Cash Asset and Note 6(b) – Investment Securities

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		569	-	670	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		2,850	-	4,630	-
- Short Term Deposits		1,500	-	3,000	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>4,919</b>	<b>-</b>	<b>8,300</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Long Term Deposits		35,450	-	35,700	-
<b>Total Investment Securities</b>		<b>35,450</b>	<b>-</b>	<b>35,700</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>40,369</b>	<b>-</b>	<b>44,000</b>	<b>-</b>

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

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

#### Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	<b>4,919</b>	<b>-</b>	<b>8,300</b>	<b>-</b>
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#### Investments

a. "At Fair Value through the Profit & Loss"					
b. "Held to Maturity"	6(b-ii)	35,450	-	35,700	-
c. "Loans & Receivables"	6(b-iii)			-	-
d. "Available for Sale"	6(b-iv)			-	-
<b>Investments</b>		<b>35,450</b>	<b>-</b>	<b>35,700</b>	<b>-</b>



## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 6b. Investments (continued)

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Nil				
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	35,700	-	27,500	-
Additions	65,950	-	8,200	-
Disposals (sales & redemptions)	(66,200)	-	-	-
<b>Balance at End of Year</b>	<b>35,450</b>	<b>-</b>	<b>35,700</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	35,450	-	35,700	-
<b>Total</b>	<b>35,450</b>	<b>-</b>	<b>35,700</b>	<b>-</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil				
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil				

## Note 6(c) - Restricted Cash, Cash Equivalents and Investments

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>40,369</b>	<b>-</b>	<b>44,000</b>	<b>-</b>
attributable to:				
External Restrictions (refer below)	13,964	-	15,067	-
Internal Restrictions (refer below)	18,458	-	17,316	-
Unrestricted	7,947	-	11,617	-
	<b>40,369</b>	<b>-</b>	<b>44,000</b>	<b>-</b>

2012 \$ '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-Sewer (A)	-	43	-	43
<b>External Restrictions - Included in Liabilities</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>43</b>

##### External Restrictions - Other

Developer Contributions - General (D)	6,785	954	(296)	7,650
Developer Contributions - Sewer Fund (D)	-	210	-	-
Specific Purpose Unexpended Grants (F)	-	632	-	632
Specific Purpose Unexpended Grants (F) - Sewer Fund	1,425	189	(1,747)	421
Sewerage Services (G)	3,370	7,853	(9,852)	1,879
Domestic Waste Management (G)	1,292	8,238	(7,905)	1,205
Stormwater Management (G)	2,195	102	(163)	2,134
<b>External Restrictions - Other</b>	<b>15,067</b>	<b>18,178</b>	<b>(19,963)</b>	<b>13,921</b>
<b>Total External Restrictions</b>	<b>15,067</b>	<b>18,221</b>	<b>(19,963)</b>	<b>13,964</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	136	18	(47)	107
Employees Leave Entitlement	1,702	27	(15)	1,714
Council S94 Contributions	348	11	(43)	316
Election	347	23		370
Glossodia/Freemans	54		(54)	-
Heritage	76	52		128
Information Technology	295	3	(85)	213
Kerb & Gutter	114	2		116
Risk Management	458	6	(102)	362
Roadworks	1,150	2,367	(1,150)	2,367
Sullage	681	1,212	(1,771)	122
Tip Remediation	4,279	6,106	(4,870)	5,515
Unexpended Contributions	533	7	(100)	440
Unspent Work Reserve	5,699	5,468	(6,347)	4,820
Workers Compensation	613	204		817
Other	831	223	(3)	1,051
<b>Total Internal Restrictions</b>	<b>17,316</b>	<b>15,729</b>	<b>(14,587)</b>	<b>18,458</b>
<b>TOTAL RESTRICTIONS</b>	<b>32,383</b>	<b>33,950</b>	<b>(34,550)</b>	<b>32,422</b>

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by the Roads and Traffic Authority for 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 RMA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Note 7 - Receivables

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		1,423	1,012	1,590	1,050
Interest & Extra Charges		124	95	136	94
User Charges & Fees		951	29	663	40
Private Works		64	-	58	-
Accrued Revenues					
- Interest on Investments		736	-	943	-
Government Grants & Subsidies		1,211	-	440	-
Net GST Receivable		376	-	440	-
<b>Total</b>		<b>4,885</b>	<b>1,136</b>	<b>4,270</b>	<b>1,184</b>
<b>less: Provision for Impairment</b>					
User Charges & Fees		(94)	-	(94)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(94)</b>	<b>-</b>	<b>(94)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>4,791</b>	<b>1,136</b>	<b>4,176</b>	<b>1,184</b>
<b>Externally Restricted Receivables</b>					
<b>Sewerage Services</b>					
- Rates & Availability Charges		226	-	264	-
- Other		498	-	239	-
<b>Total External Restrictions</b>		<b>724</b>	<b>-</b>	<b>503</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Internally Restricted Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>4,067</b>	<b>1,136</b>	<b>3,673</b>	<b>1,184</b>
<b>TOTAL NET RECEIVABLES</b>		<b>4,791</b>	<b>1,136</b>	<b>4,176</b>	<b>1,184</b>

#### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Note 8 - Inventories and Other Assets

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		174	-	180	-
Trading Stock		9	-	9	-
<b>Total Inventories</b>		<b>183</b>	<b>-</b>	<b>189</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		274	-	145	-
<b>Total Other Assets</b>		<b>274</b>	<b>-</b>	<b>145</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>457</b>	<b>-</b>	<b>334</b>	<b>-</b>

#### Externally Restricted Assets

There are no restrictions applicable to the above assets.

#### Domestic Waste Management

Nil

#### Other

Nil

<b>Total Externally Restricted Assets</b>	-	-	-	-
<b>Total Internally Restricted Assets</b>	-	-	-	-
<b>Total Unrestricted Assets</b>	457	-	334	-
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>	<b>457</b>	<b>-</b>	<b>334</b>	<b>-</b>

## Note 9(a) - Infrastructure, Property, Plant and Equipment

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period						as at 30/6/2012			
	At	At	Accumulated		Carrying	Asset	WDV	Depreciation	Adjustments	Adjustments	Revaluation	At	At	Accumulated	Carrying
	Cost	Fair Value	Dep'n	Impairment	Value	Additions	of Asset	Expense	& Transfers	to Prior	Increments	Cost	Fair Value	Dep'n	Value
							Disposals		between	Periods	to Equity				
									Asset		(ARR)				
Plant & Equipment	-	13,288	7,236	-	6,052	2,125	(536)	(1,687)	32	56		-	14,494	8,452	6,042
Office Equipment	-	4,416	3,954	-	462	503		(337)				-	4,920	4,292	628
Furniture & Fittings	-	1,620	1,403	-	217	99		(32)				-	1,718	1,434	284
<b>Land:</b>															
- Operational Land	-	96,758	-	-	96,758				(42)			-	96,716	-	96,716
- Community Land	-	66,908	-	-	66,908				(136)			-	66,772	-	66,772
- Land under Roads (post 30/6/08)	-	15,653	-	-	15,653	8,220						-	23,873	-	23,873
Land Improvements - non depreciable	-	-	-	-	-	135			273			-	408	-	408
Land Improvements - depreciable	-	5,221	3,422	-	1,799			(315)	775	(1,033)		-	5,572	4,346	1,226
Buildings - Non Specialised	-	20,221	9,846	-	10,375	378		(621)				-	34,199	14,012	20,187
Buildings - Specialised	-	96,860	35,137	-	61,723	928	(30)	(2,899)				-	84,139	34,472	49,667
Other Structures	-	94,596	51,119	-	43,477	780		(804)	(31,492)			-	27,978	16,017	11,961
<b>Infrastructure:</b>															
- Roads, Bridges, Footpaths	-	513,687	246,968	-	266,719	6,368	(296)	(5,713)	4,000			-	529,537	258,459	271,078
- Stormwater Drainage	-	155,659	76,060	-	79,599	4,287		(1,552)				-	159,946	77,612	82,334
- Sewerage Network	-	141,056	66,689	-	74,367	4,799		(2,670)		1,906		-	149,495	71,093	78,402
<b>Other Assets:</b>															
- Heritage Collections	-	943	-	-	943			-				-	943	-	943
- Library Books	-	3,832	3,226	-	606	273		(385)				-	4,106	3,612	494
- Park Asset	-	871	192	-	679	1,915	(63)	(1,266)	25,790			-	56,585	29,530	27,055
<b>Reinstatement, Rehabilitation &amp; Restoration Assets (refer Note 26)</b>															
- Tip Asset	-	622	506	-	116	160		(126)	800			-	1,593	643	950
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	-	<b>1,232,211</b>	<b>505,758</b>	-	<b>726,453</b>	<b>30,970</b>	<b>(925)</b>	<b>(18,407)</b>	-	<b>(977)</b>	<b>1,906</b>	-	<b>1,262,994</b>	<b>523,974</b>	<b>739,020</b>

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals \$8.6m and New Assets \$8.1m. Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

## Note 9(b) - Externally Restricted Infrastructure, Property, Plant and Equipment

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Sewerage Services</b>								
Plant & Equipment		584	343	241	-	599	368	231
Land								
- Operational Land		9,678		9,678	-	9,678	-	9,678
- Community Land		49		49	-	49	-	49
Buildings		970	517	453	-	970	496	474
Infrastructure		149,495	71,092	78,403	-	141,056	66,689	74,367
<b>Total Sewerage Services</b>	-	<b>160,776</b>	<b>71,952</b>	<b>88,824</b>	-	<b>152,352</b>	<b>67,553</b>	<b>84,799</b>
<b>Domestic Waste Management</b>								
Plant & Equipment		1,735	964	771	-	1,735	643	1,092
Buildings		10		10	-	10	-	10
Other Assets		461	173	288	-	415	-	415
<b>Total DWM</b>	-	<b>2,206</b>	<b>1,137</b>	<b>1,069</b>	-	<b>2,160</b>	<b>643</b>	<b>1,517</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	<b>162,982</b>	<b>73,089</b>	<b>89,893</b>	-	<b>154,512</b>	<b>68,196</b>	<b>86,316</b>

## Note 9(c) - Infrastructure, Property, Plant and Equipment – Current Year Impairments and Note 10(a) - Payables, Borrowings and Provisions

### Hawkesbury City Council

#### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

#### Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		3,958	-	4,897	-
Payments Received In Advance		308	-	247	-
Security Bonds, Deposits & Retentions		863	-	938	-
<b>Total Payables</b>		<b>5,129</b>	<b>-</b>	<b>6,082</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		389	2,460	382	2,463
<b>Total Borrowings</b>		<b>389</b>	<b>2,460</b>	<b>382</b>	<b>2,463</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,724	-	1,857	-
Sick Leave		704	-	891	-
Long Service Leave		4,013	425	3,840	304
Leave in Lieu		148	-	133	-
<b>Sub Total - Aggregate Employee Benefits</b>		<b>6,589</b>	<b>425</b>	<b>6,721</b>	<b>304</b>
Self Insurance - Workers Compensation		730	810	730	810
Asset Remediation/Restoration (Future Works) <sup>26</sup>		77	4,500	76	4,199
<b>Total Provisions</b>		<b>7,396</b>	<b>5,735</b>	<b>7,527</b>	<b>5,313</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>12,914</b>	<b>8,195</b>	<b>13,991</b>	<b>7,776</b>

#### (i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Sewer	957	2,476	703	2,479
Domestic Waste Management	491	6	469	6
Liabilities relating to externally restricted assets	1,448	2,482	1,172	2,485
<b>Internally Restricted Assets</b>				
Nil				
<b>Total Liabilities relating to restricted assets</b>	<b>1,448</b>	<b>2,482</b>	<b>1,172</b>	<b>2,485</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

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



## Note 10(a) - continued and Note 10(b) – Description of and movements in Provisions

### Hawkesbury City Council

#### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	2012	2011
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,784	4,823
Payables - Security Bonds, Deposits & Retentions	199	145
Other Liabilities	125	125
	<b>5,108</b>	<b>5,093</b>

#### Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,857	985	(1,118)			1,724
Sick Leave	891	457	(644)			704
Long Service Leave	4,144	829	(535)			4,438
Other Leave	133	17	(2)			148
Self Insurance	1,540	-				1,540
Asset Remediation	4,275	302				4,577
<b>TOTAL</b>	<b>12,840</b>	<b>2,590</b>	<b>(2,299)</b>	-	-	<b>13,131</b>

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.

c. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

## Note 11 - Statement of Cash Flows – Additional Information

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	4,919	8,300
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>4,919</b>	<b>8,300</b>
 <b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>8,308</b>	<b>4,507</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		18,407	16,242
Net Losses/(Gains) on Disposal of Assets		289	(290)
Non Cash Capital Grants and Contributions		(14,311)	(1,769)
<b>Losses/(Gains) recognised on Fair Value Re-measurements through the P&amp;L:</b>			
- Investment Properties		1,276	-
- Unwinding of interest free loan		404	369
Unwinding of Discount Rates on Reinstatement Provisions		134	193
Unwinding of Discount Rate in PV calculation		2	11
Share of Net (Profits) or Losses of Associates/Joint Ventures		(212)	(208)
 <b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(567)	559
Decrease/(Increase) in Inventories		6	20
Decrease/(Increase) in Other Assets		(129)	772
Increase/(Decrease) in Payables		(939)	286
Increase/(Decrease) in Other Liabilities		(14)	290
Increase/(Decrease) in Employee Leave Entitlements		(11)	816
Increase/(Decrease) in Other Provisions		166	265
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>12,809</b>	<b>22,063</b>

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Dedicated Contribution		14,311	1,769
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>14,311</b>	<b>1,769</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		800	800
Credit Cards / Purchase Cards		500	500
<b>Total Financing Arrangements</b>		<b>1,300</b>	<b>1,300</b>

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

#### **(ii) Secured Loan Liabilities**

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

#### **(e) Net Cash Flows Attributable to Discontinued Operations**

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

## Note 12 - Commitments for Expenditure

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Property, Plant & Equipment		5,253	486
<b>Total Commitments</b>		<b>5,253</b>	<b>486</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		5,253	486
Later than one year and not later than 5 years			-
Later than 5 years			-
<b>Total Payable</b>		<b>5,253</b>	<b>486</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		1,734	486
Unexpended Grants		89	-
Externally Restricted Reserves		2,100	-
Internally Restricted Reserves		1,330	-
<b>Total Sources of Funding</b>		<b>5,253</b>	<b>486</b>

# Hawkesbury City Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

### Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b) Finance Lease Commitments</b>			
Nil			
<b>(c) Operating Lease Commitments (Non Cancellable)</b>			
<b>a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		1,252	468
Later than one year and not later than 5 years		1,935	739
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>3,187</b>	<b>1,207</b>

#### **b. Non Cancellable Operating Leases include the following assets:**

Office Rentals

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

#### **Conditions relating to Operating Leases:**

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

#### **(d) Investment Property Commitments**

Nil

#### **(e) Investment in Associates / Joint Ventures - Commitments**

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

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

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods	
			2011	2010
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>30,929</u>	<b>4.86 : 1</b>	4.26	4.35
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>6,358</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>400</u>	<b>0.71%</b>	0.74%	0.00%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>56,476</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>38,900</u>	<b>50.47%</b>	55.00%	45.94%
Income from Continuing Operations	<u>77,075</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>2,654</u>	<b>6.26%</b>	7.05%	6.37%
Rates, Annual & Extra Charges Collectible	<u>42,385</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>8,631</u>	<b>64.15%</b>	48.80%	67.57%
Depreciation, Amortisation & Impairment	<u>13,455</u>			

#### Notes

<sup>(1)</sup> Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

<sup>(2)</sup> Refer to Note 10(a).

<sup>(3)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

<sup>(4)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Asset Renewals include building and infrastructure assets only.

## Note 13(a)(ii) - Statement of Performance Measurement – Graphs (Consolidated)

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.37</td> </tr> <tr> <td>2010</td> <td>4.35</td> </tr> <tr> <td>2011</td> <td>4.26</td> </tr> <tr> <td>2012</td> <td>4.86</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	4.37	2010	4.35	2011	4.26	2012	4.86	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 4.86 : 1</b></p> <p>Ratio increased slightly as a result of a decrease in liabilities.</p>
Year	Ratio : 1											
2009	4.37											
2010	4.35											
2011	4.26											
2012	4.86											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>0.11%</td> </tr> <tr> <td>2010</td> <td>0.00%</td> </tr> <tr> <td>2011</td> <td>0.74%</td> </tr> <tr> <td>2012</td> <td>0.71%</td> </tr> </tbody> </table>	Year	Ratio %	2009	0.11%	2010	0.00%	2011	0.74%	2012	0.71%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 0.71%</b></p> <p>The ratio reflects the annual payment of a \$4M loan under the Local Infrastructure Fund agreement (interest free loan). Also a non cash contribution of \$14.3m.</p>
Year	Ratio %											
2009	0.11%											
2010	0.00%											
2011	0.74%											
2012	0.71%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>53.71%</td> </tr> <tr> <td>2010</td> <td>45.94%</td> </tr> <tr> <td>2011</td> <td>55.00%</td> </tr> <tr> <td>2012</td> <td>50.47%</td> </tr> </tbody> </table>	Year	Ratio %	2009	53.71%	2010	45.94%	2011	55.00%	2012	50.47%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 50.47%</b></p> <p>This ratio has decreased over the previous year due to increased grants.</p>
Year	Ratio %											
2009	53.71%											
2010	45.94%											
2011	55.00%											
2012	50.47%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>6.12%</td> </tr> <tr> <td>2010</td> <td>6.37%</td> </tr> <tr> <td>2011</td> <td>7.05%</td> </tr> <tr> <td>2012</td> <td>6.26%</td> </tr> </tbody> </table>	Year	Ratio %	2009	6.12%	2010	6.37%	2011	7.05%	2012	6.26%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 6.26%</b></p> <p>This ratio has decreased due to the improvement in the level of outstandings at 30 June 2012.</p>
Year	Ratio %											
2009	6.12%											
2010	6.37%											
2011	7.05%											
2012	6.26%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>66.24%</td> </tr> <tr> <td>2010</td> <td>67.57%</td> </tr> <tr> <td>2011</td> <td>48.80%</td> </tr> <tr> <td>2012</td> <td>64.15%</td> </tr> </tbody> </table>	Year	Ratio %	2009	66.24%	2010	67.57%	2011	48.80%	2012	64.15%	<p><b>Purpose of Asset Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2011/12 Ratio 64.15%</b></p> <p>This ratio has increased significantly as a result of asset renewal of \$8.6m.</p>
Year	Ratio %											
2009	66.24%											
2010	67.57%											
2011	48.80%											
2012	64.15%											

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

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General <sup>1</sup> 2012
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(1)</sup></u>	n/a	-1.44 : 1	4.86 : 1
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	n/a	7.92%	0.00%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	n.a	81.38%	48.15%
Income from Continuing Operations			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	n/a	4.61%	6.42%
Rates, Annual & Extra Charges Collectible			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building &amp; Infrastructure assets)</u>	n/a	112.52%	52.05%
Depreciation, Amortisation & Impairment			

#### Notes

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



## Note 14 - Investment Properties

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<b>24,596</b>	<b>25,855</b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		25,855	25,855
- Net Gain/(Loss) from Fair Value Adjustments		(1,276)	-
- Other Movements (additions)		17	-
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>24,596</b>	<b>25,855</b>
<b>(b) Valuation Basis</b>			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2012 valuations were based on Independent Assessments made by: <a href="#">K.D.Wood Valuations (Aust) Pty.Ltd. F.A.P.I Registered Valuer No.11</a>			
<b>(c) Contractual Obligations at Reporting Date</b>			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
<b>(d) Leasing Arrangements</b>			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		376	611
Later than 1 year but less than 5 years		1,856	1,834
Later than 5 years		134	176
<b>Total Minimum Lease Payments Receivable</b>		<b>2,366</b>	<b>2,621</b>
<b>(e) Investment Property Income &amp; Expenditure - summary</b>			
Rental Income from Investment Properties:			
- Minimum Lease Payments		1,355	1,395
- Other Rentals		154	195
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(268)	(194)
- that did not generate rental income		(209)	(253)
<b>Net Revenue Contribution from Investment Properties</b>		<b>1,032</b>	<b>1,143</b>
plus:			
Fair Value Movement for year		(1,276)	-
<b>Total Income attributable to Investment Properties</b>		<b>(244)</b>	<b>1,143</b>

## Note 15 - Financial Risk Management

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management

\$ '000

##### Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	4,919	8,300	4,919	8,300
Investments				
- "Held to Maturity"	35,450	35,700	35,450	35,700
Receivables	5,927	5,360	5,927	5,360
<b>Total Financial Assets</b>	<b>46,296</b>	<b>49,360</b>	<b>46,296</b>	<b>49,360</b>
<b>Financial Liabilities</b>				
Payables	4,821	5,835	4,821	5,835
Loans / Advances	2,849	2,845	2,849	2,845
<b>Total Financial Liabilities</b>	<b>7,670</b>	<b>8,680</b>	<b>7,670</b>	<b>8,680</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "at fair value through profit & loss" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2012</b>				
Possible impact of a 1% movement in Interest Rates	405	405	(405)	(405)
<b>2011</b>				
Possible impact of a 1% movement in Interest Rates	441	441	(441)	(441)

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	-	3,461	-	2,680
Overdue	2,435	125	2,640	134
	<b>2,435</b>	<b>3,586</b>	<b>2,640</b>	<b>2,814</b>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2012	2011
Balance at the beginning of the year			94	94
+ new provisions recognised during the year			4	7
- amounts already provided for & written off this year			(4)	(7)
<b>Balance at the end of the year</b>			<b>94</b>	<b>94</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2012</b>									
Trade/Other Payables	863	3,958						4,821	4,821
Loans & Advances		400	400	400	400	400	1,200	3,200	2,849
<b>Total Financial Liabilities</b>	<b>863</b>	<b>4,358</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>1,200</b>	<b>8,021</b>	<b>7,670</b>
<b>2011</b>									
Trade/Other Payables	938	4,897	-	-	-	-	-	5,835	5,835
Loans & Advances	-	400	400	400	400	400	1,600	3,600	2,845
<b>Total Financial Liabilities</b>	<b>938</b>	<b>5,297</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>1,600</b>	<b>9,435</b>	<b>8,680</b>

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	4,821	0.0%	5,835	0.0%
Loans & Advances - Fixed Interest Rate	2,849	0.0%	2,845	0.0%
	<u>7,670</u>		<u>8,680</u>	

## Note 16 - Material Budget Variations

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 21 June 2011.

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

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

Note that for Variations\* of Budget to Actual :

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

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

\$ '000	2012 Budget	2012 Actual	2012 Variance*		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>39,432</b>	<b>38,900</b>	<b>(532)</b>	<b>(1%)</b>	<b>U</b>
<b>User Charges &amp; Fees</b>	<b>4,339</b>	<b>5,082</b>	<b>743</b>	<b>17%</b>	<b>F</b>
Contribution received for a Waste and Sustainability Improvement Program not included in the Original Budget as the amount and certainty are unknown at time of budgeting. Consolidation of income earned from Hawkesbury Sports Council not included in Original Budget. Trade Waste income received higher than budget.					
<b>Interest &amp; Investment Revenue</b>	<b>2,000</b>	<b>2,791</b>	<b>791</b>	<b>40%</b>	<b>F</b>
Investment revenue is more than the Original Budget due to higher level of funds invested. This was due to a number of projects being delayed.					
<b>Other Revenues</b>	<b>3,500</b>	<b>3,562</b>	<b>62</b>	<b>2%</b>	<b>F</b>
<b>Operating Grants &amp; Contributions</b>	<b>6,848</b>	<b>9,367</b>	<b>2,519</b>	<b>37%</b>	<b>F</b>
Only known grants are budgeted for in the Original Budget.					
<b>Capital Grants &amp; Contributions</b>	<b>1,937</b>	<b>17,161</b>	<b>15,224</b>	<b>786%</b>	<b>F</b>
Only known grants are budgeted for in the Original Budget. Non cash asset dedications are also not included in the Original Budget.					
<b>Net Gains from Disposal of Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>F</b>
Share of Net Profits - Joint Ventures & Associates	-	212	212	0%	F

## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 Variance*		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>16,766</b>	<b>21,284</b>	<b>(4,518)</b>	(27%)	<b>U</b>
Employee costs charged to jobs are budgeted as employee costs. Increases in employee entitlements provision was only partially budgeted for.					
<b>Borrowing Costs</b>	<b>200</b>	<b>538</b>	<b>(338)</b>	(169%)	<b>U</b>
Fair value adjustment made on Sewer Loan not budgeted for.					
<b>Materials &amp; Contracts</b>	<b>18,687</b>	<b>17,513</b>	<b>1,174</b>	6%	<b>F</b>
Employee costs in relation to hourly staff are budgeted against jobs, which impacts accounts within Materials and Contracts.					
<b>Depreciation &amp; Amortisation</b>	<b>20,735</b>	<b>18,407</b>	<b>2,328</b>	11%	<b>F</b>
At the time the original budget was prepared, the impact of adjustments made to useful lives as a result of the revaluation for infrastructure assets was not fully realised. This resulted in depreciation expenses being less than the Original Budget.					
<b>Impairment Expenses</b>	-	-	-	0%	<b>F</b>
<b>Other Expenses</b>	<b>10,748</b>	<b>10,736</b>	<b>12</b>	0%	<b>F</b>
<b>Net Losses from Disposal of Assets</b>	-	<b>289</b>	<b>(289)</b>	0%	<b>U</b>
Share of Net Losses - Joint Ventures & Associates	-	-	-	0%	<b>F</b>
Operating Result from Discontinued Operations	-	-	-	0%	<b>F</b>
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash Flows from Operating Activities</b>	<b>11,654</b>	<b>12,809</b>	<b>1,155</b>	9.9%	<b>F</b>
Grants received during the year not included in the Original Budget. Investment income greater than budgeted due to higher reserve levels maintained due to delays in works.					
<b>Cash Flows from Investing Activities</b>	<b>(6,755)</b>	<b>(15,790)</b>	<b>(9,035)</b>	133.8%	<b>U</b>
Expenditure in relation to Carry Overs from 2010/2011 Budget are not included in the Original Budget.					
<b>Cash Flows from Financing Activities</b>	-	<b>(400)</b>	<b>(400)</b>	0.0%	<b>U</b>

## Note 17 - Statement of Developer Contributions

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	462	-	3,893	23	(3,893)	-	485	19	(504)	-	-
Roads	524	-	2,219	26	(2,219)	-	550	26	(576)	-	-
Parking	651	-	-	33	-	-	684	-	(684)	-	-
Open Space	798	-	-	38	(7)	-	829	36	(865)	-	-
Community Facilities	1,544	-	8,198	77	(8,198)	-	1,621	32	(1,653)	-	-
Recreational Facilities	1,235	-	-	62	-	-	1,297	34	(1,331)	-	-
Bushfire	49	-	-	2	(7)	-	44	-	(44)	-	-
Extractive Industries	446	154	-	30	-	-	630	140	(770)	-	-
Other	38	-	-	2	-	-	40	1	(41)	-	-
<b>S94 Contributions - under a Plan</b>	<b>5,747</b>	<b>154</b>	<b>14,310</b>	<b>293</b>	<b>(14,324)</b>	<b>-</b>	<b>6,180</b>	<b>288</b>	<b>(6,468)</b>	<b>-</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>1,029</b>	<b>446</b>	<b>-</b>	<b>61</b>	<b>(276)</b>	<b>-</b>	<b>1,260</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>6,776</b>	<b>600</b>	<b>14,310</b>	<b>354</b>	<b>(14,600)</b>	<b>-</b>	<b>7,440</b>				<b>-</b>
S64 Contributions	-	210					210				
<b>Total Contributions</b>	<b>6,776</b>	<b>810</b>	<b>14,310</b>	<b>354</b>	<b>(14,600)</b>	<b>-</b>	<b>7,650</b>				<b>-</b>



## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

##### S94 CONTRIBUTIONS - UNDER A PLAN

###### CONTRIBUTION PLAN - HAWKESBURY CITY

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	462		3,893	23	(3,893)		485	19	(504)	-	
Roads	524		2,219	26	(2,219)		550	26	(576)	-	
Parking	651			33			684		(684)	-	
Open Space	798			38	(7)		829	36	(865)	-	
Community Facilities	1,544		8,198	77	(8,198)		1,621	32	(1,653)	-	
Recreational Facilities	1,235			62			1,297	34	(1,331)	-	
Bushfire	49			2	(7)		44		(44)	-	
Extractive Industries	446	154		30			630	140	(770)	-	
Other	38			2			40	1	(41)	-	
<b>Total</b>	<b>5,747</b>	<b>154</b>	<b>14,310</b>	<b>293</b>	<b>(14,324)</b>	<b>-</b>	<b>6,180</b>	<b>288</b>	<b>(6,468)</b>	<b>-</b>	<b>-</b>

##### S94A LEVIES - UNDER A PLAN

###### CONTRIBUTION PLAN - HAWKESBURY CITY

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	1,029	446		61	(276)		1,260				
<b>Total</b>	<b>1,029</b>	<b>446</b>	<b>-</b>	<b>61</b>	<b>(276)</b>	<b>-</b>	<b>1,260</b>				<b>-</b>

## Note 18 - Contingencies and Other Assets/Liabilities not recognised

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

### Liabilities not recognised

#### (a) Guarantees

##### (i) Westpool

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

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

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

The pool ended with a surplus of \$20.131M of which Council's proportional share is \$1.599M.

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

##### (ii) Workers Compensation Claims

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

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

##### (iii) Other Guarantees

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

#### (b) Superannuation Schemes

##### (i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and

makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category and that member Councils will need to make significantly higher contributions from 2009/10 and beyond.

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

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

#### (c) 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 developments 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 receiving funds in future years or where a



shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

*(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council*

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

## **ASSETS NOT RECOGNISED**

**(d) 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.

**(e) Infringement Notices/Fines**

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

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

## Note 19 - Controlled Entities, Associated Entities and Interest in Joint Ventures

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

These operations and entities range from: 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

### Subsidiaries Note 19(a)

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

### Associated Entities and Joint Venture Entities Note 19(b) (i) and (ii)

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

### Joint Venture Operations Note 19(c)

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

### Subsidiaries, Associated Entities and Joint Ventures Not Recognised Note 19(d)

#### Accounting Recognition

- Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Balance Sheet.
- Associated Entities and Joint Venture Entities as per Notes 19(b)(i) and (ii) are accounted for using the Equity Accounting Method - and are disclosed as a one line entry in both the Income Statement and Balance Sheet

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Associated Entities	-	-	-	-
Joint Venture Entities	212	208	1,838	1,626
<b>Total</b>	<b>212</b>	<b>208</b>	<b>1,838</b>	<b>1,626</b>

## Note 19(a) - Subsidiaries (i.e. Entities and operations controlled by Council)

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000

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

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

Name of Operation/Entity	Principal Activity	Type of Entity	Equity Holding	
			2012	2011
Hawkesbury Sports Centre	Sports & Sporting Recreation	Non Reporting	100%	100%
<b>Current Year Financial Movements in Total Operation/Entity</b>		<b>Gross Financial Summary of Subsidiary</b>		
Opening Equity Balance	256	Assets		581
New Capital Contributions		Liabilities		(62)
Operating Result	171	Net Equity		519
Adjustment to Equity Share				
Distributions Paid		Revenues		923
Closing Equity Balance	427	Net Profit		171
Minority Interest Share		Minority Interest Share		

## Note 19(b) - Associated Entities and Interests in Joint Ventures

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000

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

#### (ii) JOINT VENTURE ENTITIES

##### (a) Carrying Amounts

Name of Entity	Principal Activity	2012	2011
Westpool	Local Govt. Insurance Pool	1,599	1,553
United Independent Pools	Local Govt. Insurance Pool	239	73
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>1,838</b>	<b>1,626</b>

##### (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Westpool	7%	7%	8%	8%	11%	14%
United Independent Pools	5%	6%	5%	5%	6%	7%

##### (c) Movement in Carrying Amounts

	Westpool		United Independent Pools	
	2012	2011	2012	2011
Opening Balance	1,553	1,345	73	73
Share in Operating Result	46	208	166	-
<b>Council's Equity Share in the Joint Venture Entity</b>	<b>1,599</b>	<b>1,553</b>	<b>239</b>	<b>73</b>

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

\$ '000

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

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2012</b>					
Westpool	3,113	3	204	1,313	1,599
United Independent Pools	389	-	76	74	239
<b>Totals</b>	<b>3,502</b>	<b>3</b>	<b>280</b>	<b>1,387</b>	<b>1,838</b>
<b>2011</b>					
Westpool	2,685	3	169	966	1,553
United Independent Pools	296	-	152	71	73
<b>Totals</b>	<b>2,981</b>	<b>3</b>	<b>321</b>	<b>1,037</b>	<b>1,626</b>

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

	2012			2011		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Westpool	636	590	46	620	412	208
United Independent Pools	523	357	166	395	395	-
<b>Totals</b>	<b>1,159</b>	<b>947</b>	<b>212</b>	<b>1,015</b>	<b>807</b>	<b>208</b>

## Note 20 – Equity: Retained Earnings and Revaluation Reserves

Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		298,133	325,088
a. Correction of Prior Period Errors	20 (c)	(977)	(44,969)
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	13,507
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		8,308	4,507
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		389	-
g. Other Changes (disclosure required)		-	-
<b>Balance at End of the Reporting Period</b>		<b><u>305,853</u></b>	<b><u>298,133</u></b>
<b>b. Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		485,245	483,728
<b>Total</b>		<b><u>485,245</u></b>	<b><u>483,728</u></b>
<b>(ii). Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		483,728	362,131
- Revaluations for the year	9(a)	1,906	121,719
- Transfer to Retained Earnings for Asset disposals		(389)	-
- Adjustment to revaluation reserve		-	(122)
<b>- Balance at End of Year</b>		<b><u>485,245</u></b>	<b><u>483,728</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>485,245</u></b>	<b><u>483,728</u></b>
<b>(iii). Nature &amp; Purpose of Reserves</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			



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

\$ '000	Notes	Actual 2012	Actual 2011
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
Council has adjusted Land Improvements Depreciable from previous period relating to the duplication within asset classes.		(1,033)	
Adjustment to accumulated depreciation from previous period. Plant and Equipment Asset Class decrease to accumulated depreciation		56	
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b><u>(977)</u></b>	
<b>Correction of errors as reported in last year's financial statements:</b>			
Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/11 to reflect the correct value of accumulated depreciation;			
- Other Structures (parks assets) Asset Class - (increase) to acc/depreciation			(46,633)
- Plant and equipment Asset Class - adjustment to retained earnings			122
- Heritage asset Asset Class - adjustment to retained earnings			736
- Correction of prior year errors			806
<b>Total Prior Period Adjustments - Prior Period Errors</b>			<b><u>(44,969)</u></b>
<b>d. Voluntary Changes in Accounting Policies</b>			
<b>Voluntary Changes in Accounting Policy that occurred last year's Financial Statements</b>			
- Land Under Roads - previously calculated on average area method Methodology changed to use adjoining site value method			13,507
<b>Total Prior Period Adjustments - Accounting Policy Changes</b>			<b><u>13,507</u></b>

## Note 21 - Financial Result and Financial Position by Fund

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012	Actual 2012
	<b>Other</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Continuing Operations</b>				
<b>Income from Continuing Operations</b>				
Rates & Annual Charges		-	4,371	34,529
User Charges & Fees		-	676	4,406
Interest & Investment Revenue		-	274	2,517
Other Revenues		-	35	3,527
Grants & Contributions provided for Operating Purposes		-	38	9,329
Grants & Contributions provided for Capital Purposes		-	316	16,845
<b>Other Income</b>				
Net Gains from Disposal of Assets		-	43	(43)
Share of interests in Joint Ventures & Associates using the Equity Method				212
<b>Total Income from Continuing Operations</b>	<b>-</b>	<b>-</b>	<b>5,753</b>	<b>71,322</b>
<b>Expenses from Continuing Operations</b>				
Employee Benefits & on-costs		-	632	20,652
Borrowing Costs		-	-	134
Materials & Contracts		-	1,553	15,960
Depreciation & Amortisation		-	2,746	15,661
Other Expenses		-	1,802	8,934
Interest & Investment Losses				-
Unwinding of interest free loan			404	
Net Losses from the Disposal of Assets		-	-	289
Share of interests in Joint Ventures & Associates using the Equity Method				-
<b>Total Expenses from Continuing Operations</b>	<b>-</b>	<b>-</b>	<b>7,137</b>	<b>61,630</b>
<b>Operating Result from Continuing Operations</b>	<b>-</b>	<b>-</b>	<b>(1,384)</b>	<b>9,692</b>
<b>Discontinued Operations</b>				
Net Profit/(Loss) from Discontinued Operations			-	-
<b>Net Operating Result for the Year</b>	<b>-</b>	<b>-</b>	<b>(1,384)</b>	<b>9,692</b>
Net Operating Result attributable to each Council Fund	-	-	(1,384)	9,692
Net Operating Result attributable to Minority Interests	-	-	-	-
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>-</b>	<b>-</b>	<b>(1,700)</b>	<b>(7,153)</b>

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

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

## Hawkesbury City Council

### Notes to the Financial Statements

as at 30 June 2012

#### Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012	Actual 2012
<b>ASSETS</b>	<b>Other</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>				
Cash & Cash Equivalents		-	2,164	2,755
Investments		-	-	35,450
Receivables		-	226	4,565
Inventories		-	-	183
Other		-	-	274
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>2,390</b>	<b>43,227</b>
<b>Non-Current Assets</b>				
Receivables		-	-	1,136
Infrastructure, Property, Plant & Equipment		-	88,824	650,196
Investments Accounted for using the equity method		-	-	1,838
Investment Property		-	-	24,596
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>88,824</b>	<b>677,766</b>
<b>TOTAL ASSETS</b>	<b>-</b>	<b>-</b>	<b>91,214</b>	<b>720,993</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables		-	375	4,754
Borrowings		-	389	-
Provisions		-	193	7,203
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>957</b>	<b>11,957</b>
<b>Non-Current Liabilities</b>				
Borrowings		-	2,460	-
Provisions		-	17	5,718
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,477</b>	<b>5,718</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>3,434</b>	<b>17,675</b>
<b>Net Assets</b>	<b>-</b>	<b>-</b>	<b>87,780</b>	<b>703,318</b>
<b>EQUITY</b>				
Retained Earnings		-	43,703	262,150
Revaluation Reserves		-	44,077	441,168
Council Equity Interest	-	-	87,780	703,318
Minority Interests		-	-	-
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>87,780</b>	<b>703,318</b>

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

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

## Notes 22 – 25 – “Held for Sale” Non-current Assets; Events occurring after Balance sheet date; Discontinued Operations and Intangible Assets

### Hawkesbury City Council

#### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2012, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 09/10/12.

Events that occur after the Reporting Date represent one of two types:

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

##### **(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

#### Note 24. Discontinued Operations

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

#### Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

## Note 26 - Reinstatement, Rehabilitation and Restoration Liabilities

### Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2012	2011
South Windsor Waste Depot	2017	1,509	1,318
East Kurrajong Waste Depot	2014	3,068	2,957
<b>Balance at End of the Reporting Period</b>	10(a)	<b>4,577</b>	<b>4,275</b>

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

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

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

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

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

#### Reconciliation of movement in Provision for year:

Balance at beginning of year	4,275	3,706
Amounts capitalised to new or existing assets:		
- South Windsor Waste Depot	144	324
- East Kurrajong Waste Depot	22	41
*Effect of a change in discount rates used in PV calculations	2	11
Amortisation of discount (expensed to borrowing costs)	134	193
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>4,577</b>	<b>4,275</b>

\* Discount rate calculation was based on 2.98%

#### Amount of Expected Reimbursements

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

## Note 27 - Council Information and Contact Details

### Principle place of Business

366 George Street  
WINDSOR NSW 2756

### Contact Details

*Mailing Address*  
PO Box 146  
WINDSOR NSW 2756

### Opening Hours

8:30am to 5pm  
Monday to Friday

**Telephone** (02) 4560 4444  
**Facsimile** (02) 4560 7740

**Internet Email** [www.hawkesbury.nsw.gov.au](http://www.hawkesbury.nsw.gov.au)  
[council@hawkesbury.nsw.gov.au](mailto:council@hawkesbury.nsw.gov.au)

### Officers

*General Manager*  
Mr Peter Jackson

*Responsible Accounting Officer*  
Ms Emma Galea

*Public Officer*  
Mr Laurie Mifsud

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

### Elected Members

*Mayor*  
Clr Kim Ford

*Councillors*  
Clr Kevin Connolly  
Clr Barry Calvert  
Clr Warwick Mackay  
Clr Christine Paine  
Clr Bob Porter  
Clr Paul Rasmussen  
Clr Jill Reardon  
Clr Bart Bassett  
Clr Tiffany Tree  
Clr Leigh Williams  
Clr Wayne Whelan

### Other Information

ABN 54 659 038 834

## Independent Auditors report to the Council – S417(2)



### Hawkesbury City Council

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

##### Report on the financial statements

We have audited the accompany financial statements of **Hawkesbury City Council** (the Council), which comprise the balance sheet as at 30 June 2012 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

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

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

##### *Auditor's responsibility*

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

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

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

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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T +61 2 8266 0000, F +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

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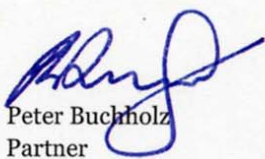
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Auditor's opinion:*

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
  - (i) have been presented, in all material respects, in accordance with the requirements of this Division
  - (ii) are consistent with the Council's accounting records
  - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2012 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

  
PricewaterhouseCoopers

  
Peter Buchholz  
Partner

22 October, Sydney  
2012





The Mayor  
Councillor Kim Ford  
Hawkesbury City Council  
DX 8601  
WINDSOR

Dear Councillor Ford

**Report on the conduct of the audit for year ended 30 June 2012 – Section 417(3)**

We have completed our audit of the financial reports of the Hawkesbury Council for the year ended 30 June 2012, in accordance with Section 415 of the Local Government Act 1993.

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

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

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

**Operating Result**

Council's operating result improved from a surplus of \$4.5 million in the previous year to \$8.3 million in the current period. The result before capital grants and contributions was a deficit of \$8.8 million compared to \$7.8 million in the previous year.

**Cash Position**

Council's overall cash position declined from \$44 million to \$40 million during the period under review. The following table highlights the composition of cash.

	June 2011 \$m	June 2012 \$m
Externally restricted	15	14
Internally restricted	17	18
Unrestricted	12	8
<b>Total</b>	<b>44</b>	<b>40</b>

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### **Working Capital**

Council's net current assets declined from \$34 million to \$32 million during the period under review.

The value of net current assets needs to be adjusted in order to establish Council's available working capital.

	<b>June 2011</b>	<b>June 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Net current assets	34,519	32,703
Less:		
External restrictions	15,067	13,964
Internal restrictions	17,316	18,458
	<u>2,136</u>	<u>281</u>
Add:		
Current liabilities to be funded from other sources	7,103	6,978
Available Working Capital	<u>9,239</u>	<u>7,259</u>

The effective unrestricted or available working capital upon which Council could build its 2012/13 budget was \$7.3 million.

### **Performance Indicators**

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

	<b>June 2011</b>	<b>June 2012</b>
	<b>%</b>	<b>%</b>
Unrestricted current ratio	426	486
Debt service ratio	.74	.71
Rate coverage ratio	55	50
Rates outstanding ratio	7.1	6.3
Asset renewals ratio	49	64

The Unrestricted Current Ratio increased and remained significantly above the accepted industry benchmark of 100%.

Council's Debt Service Ratio was .71% and remains well below the accepted industry benchmark of 10%. Overall, debt fell from \$3.6 million to \$3.2 million.

The Rate Coverage Ratio declined from 55% to 50% due to a significant increase in capital grants and contributions.

The Rates Outstanding Ratio improved to 6.3% of collectibles. This ratio is still higher than the accepted industry benchmark of 5% and should be monitored.

The Asset Renewals Ratio indicates that infrastructure assets are being renewed at 64% of the rate at which they are depreciating.



Council is considered to be in a sound and stable financial position. All indicators remain better than accepted industry benchmarks except for the rates outstanding ratio which is improving.

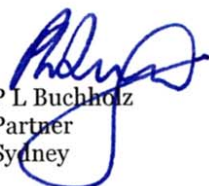
**General**

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner.

We thank the General Manager and his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully

  
PricewaterhouseCoopers

  
P.L. Buchholz  
Partner  
Sydney

22 October 2012.





**Part 2 Special Purpose Financial Statements**

**For the year ended 30 June 2012**



## Background

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

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

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

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

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

## Statement by Councillors and Management

### HAWKESBURY CITY COUNCIL

#### Special Purpose Financial Statements FOR THE YEAR ENDED 30 June 2012

#### STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO THE LOCAL GOVERNMENT CODE OF ACCOUNTING PRACTICE AND FINANCIAL REPORTING

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

- The NSW Government Policy Statement "*Application of National Competition Policy to Local Government*".
- The Division of Local Government guidelines "*Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines – "*Best Practice Management of Water and Sewerage*".

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

- Present fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

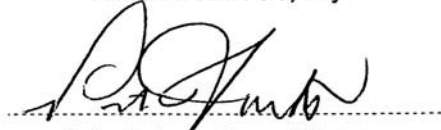
Signed in accordance with a resolution of Council made on 9 October 2012



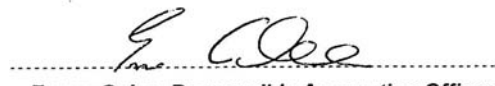
Councillor Kim Ford, Mayor



Councillor Tiffany Tree, Deputy Mayor



Peter Jackson, General Manager



Emma Galea, Responsible Accounting Officer



## Income Statement of Council's Sewerage Business Activity

### Hawkesbury City Council

#### Income Statement of Council's Sewerage Business Activity for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
<b>Income from continuing operations</b>			
Access charges	4,371	3,994	3,580
User charges	676	556	433
Interest free loan provided (fair valuation benefit)	-	-	1,124
Interest	274	413	241
Grants and contributions provided for non capital purposes	38	37	38
Profit from the sale of assets	43	-	5
Other income	35	8	59
<b>Total income from continuing operations</b>	<b>5,437</b>	<b>5,008</b>	<b>5,480</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	632	474	448
Materials and contracts	1,553	1,581	1,523
Depreciation and impairment	2,746	2,541	2,199
Unwinding of interest free loan	404	369	-
Calculated taxation equivalents	26	18	20
Other expenses	1,802	1,565	1,269
<b>Total expenses from continuing operations</b>	<b>7,163</b>	<b>6,548</b>	<b>5,459</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,726)</b>	<b>(1,540)</b>	<b>21</b>
Grants and contributions provided for capital purposes	316	6,215	11,086
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,410)</b>	<b>4,675</b>	<b>11,107</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(1,410)</b>	<b>4,675</b>	<b>11,107</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(0)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,410)</b>	<b>4,675</b>	<b>11,107</b>
plus Opening Retained Profits	47,233	44,033	32,906
plus/less: Prior Period Adjustments	(2,146)	(1,493)	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	26	18	20
- Corporate taxation equivalent	-	-	0
less:			
- Tax Equivalent Dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>43,703</b>	<b>47,233</b>	<b>44,033</b>
Return on Capital %	-1.9%	-1.8%	0.0%
Subsidy from Council	4,417	5,958	3,910
Calculation of dividend payable:			
Surplus (deficit) after tax	(1,410)	4,675	11,107
less: Capital grants and contributions (excluding developer contributions)	(316)	(6,215)	(11,086)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>	<b>21</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>-</b>	<b>10</b>

## Balance Sheet of Council's Sewerage Business Activity

Hawkesbury City Council

Balance Sheet of Council's Sewerage Business Activity  
as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,164	7,285
Receivables	226	502
<b>Total Current Assets</b>	<b>2,390</b>	<b>7,787</b>
<b>Non-Current Assets</b>		
Infrastructure, property, plant and equipment	88,824	84,799
<b>Total non-Current Assets</b>	<b>88,824</b>	<b>84,799</b>
<b>TOTAL ASSETS</b>	<b>91,214</b>	<b>92,586</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	375	123
Non Interest bearing liabilities	389	-
Provisions	193	198
<b>Total Current Liabilities</b>	<b>957</b>	<b>321</b>
<b>Non-Current Liabilities</b>		
Non Interest bearing liabilities	2,460	2,845
Provisions	17	16
<b>Total Non-Current Liabilities</b>	<b>2,477</b>	<b>2,861</b>
<b>TOTAL LIABILITIES</b>	<b>3,434</b>	<b>3,182</b>
<b>NET ASSETS</b>	<b>87,780</b>	<b>89,404</b>
<b>EQUITY</b>		
Retained earnings	43,703	47,233
Revaluation reserves	44,077	42,171
Council equity interest	87,780	89,404
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>87,780</b>	<b>89,404</b>

## Notes to the Special Purpose Financial Statements

### Note 1 - Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### (a) National Competition Policy

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

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

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

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

#### (b) Declared Business Activities

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

##### Category 1

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

##### (i) Sewerage Service

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

##### (ii) Hawkesbury Leisure Centre

*The centre was managed during the year by the YMCA.*

##### Category 2

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

Nil

#### (c) Monetary Amounts

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

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Note 3 are disclosed in whole dollars.

(i) *Taxation Equivalent Charges*

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

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

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

(d) *Notional Rate Applied %*

Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

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

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

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

(e) *Income Tax*

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

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

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

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

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

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.

(f) *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.

(g) *Loan and Debt Guarantee Fees*

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

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

(ii) *Subsidies*

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

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

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

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) *Return on Investments (Rate of Return)*

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

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

The Rate of Return on Capital is calculated as follows:

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

---

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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

(iv) *Dividends*

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

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

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2012 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Note 3 - Sewerage Business: Best Practice Management Disclosure Requirements

Hawkesbury City Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2012

### Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2012

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

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

(i) Calculated Tax Equivalents	26,000
(ii) No of assessments multiplied by \$3/assessment	23,442
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	23,442
(iv) Amounts actually paid for Tax Equivalents	26,000

#### 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)	210,978
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(3,245,300)

2012 Surplus	(1,726,000)	2011 Surplus	(1,540,000)	2010 Surplus	20,700
		2011 Dividend	-	2010 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)	NO
(ii) Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
Complying charges	
(a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	YES
(c) Trade Waste [Item 2(d) in Table 1]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	NO
b. Complete and implement Integrated Water Cycle Management Strategy	NO

## Hawkesbury City Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2012
<b>National Water Initiative (NWI) Financial Performance Indicators</b>		
<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000 5,053
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000 88,583
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000 3,986
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000 4,799
<b>NWI F18</b>	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)]	% -1.89%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000 -
<b>National Water Initiative (NWI) Financial Performance Indicators Water &amp; Sewer (combined)</b>		
<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000 5,096
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	% 0.75%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000 4,799
<b>NWI F19</b>	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)]	% -1.89%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000 -
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	% 0.00%

# Hawkesbury City Council

## Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

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

<b>NWI F22</b>	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))]	%	1.35%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-  1,680  253
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(1,436)
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	38

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



## Independent Auditors report to the Council



### Hawkesbury City Council

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

##### Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of **Hawkesbury City Council** (the Council), which comprises the Balance Sheets by Business Activity for the year ended 30 June 2012, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2012.

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

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

##### *Auditor's responsibility*

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

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

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

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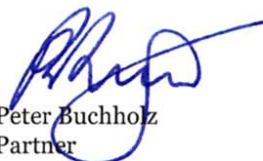
*Auditor's opinion:*

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of **Hawkesbury City Council** as of 30 June 2012 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, and the Local Government Code of Accounting Practice and Financial Reporting.

*Basis of Accounting and Restriction on Distribution and Use*

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

  
PricewaterhouseCoopers

  
Peter Buchholz  
Partner

*22 October,* Sydney  
2012



**Part 3 Special Schedules Financial Statements**

**For the year ended 30 June 2012**





## 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;
  - the Department of Environment, Climate Change and Water; and
  - the Division of Local Government (DLG).
  
- (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

Hawkesbury City Council

Special Schedule No. 1 - Net Cost of Services  
for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	702	-	-	(702)
<b>Administration</b>	2,563	1,069	-	(1,494)
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	2,208	498	-	(1,710)
Enforcement of Local Govt. Regulations	385	471	-	86
Animal Control	767	482	-	(285)
Other	297	46	-	(251)
<b>Total Public Order &amp; Safety</b>	<b>3,657</b>	<b>1,497</b>	-	<b>(2,160)</b>
<b>Health</b>	591	423	-	(168)
<b>Community Services and Education</b>				
Administration & Education	1,570	197	-	(1,373)
<b>Total Community Services &amp; Education</b>	<b>1,570</b>	<b>197</b>	-	<b>(1,373)</b>
<b>Housing and Community Amenities</b>				
Town Planning	-	-	4,787	4,787
Other Community Amenities	14,798	11,565	-	(3,233)
<b>Total Housing and Community Amenities</b>	<b>14,798</b>	<b>11,565</b>	<b>4,787</b>	<b>1,554</b>
<b>Sewerage Services</b>	6,771	5,121	1,169	(481)

# Hawkesbury City Council

## Special Schedule No. 1 - Net Cost of Services (continued) for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	2,657	(39)	-	(2,696)
Museums	513	33	-	(480)
Art Galleries	621	(66)	-	(687)
Community Centres and Halls	2,730	(21)	-	(2,751)
Sporting Grounds and Venues	272	-	-	(272)
Swimming Pools	3,445	-	-	(3,445)
Parks & Gardens (Lakes)	4,915	609	-	(4,306)
Other Sport and Recreation	950	404	198	(348)
<b>Total Recreation and Culture</b>	<b>16,103</b>	<b>920</b>	<b>198</b>	<b>(14,985)</b>
<b>Fuel &amp; Energy</b>	<b>461</b>	<b>475</b>	<b>-</b>	<b>14</b>
<b>Mining, Manufacturing and Construction</b>				
Building Control	792	399	-	(393)
<b>Total Mining, Manufacturing and Const.</b>	<b>792</b>	<b>399</b>	<b>-</b>	<b>(393)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	11,898	779	10,590	(529)
Parking Areas	108	-	-	(108)
Other Transport & Communication	4,752	2,303	416	(2,033)
<b>Total Transport and Communication</b>	<b>16,758</b>	<b>3,082</b>	<b>11,006</b>	<b>(2,670)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	228	-	-	(228)
Other Economic Affairs	2,521	1,717	-	(804)
<b>Total Economic Affairs</b>	<b>2,749</b>	<b>1,717</b>	<b>-</b>	<b>(1,032)</b>
<b>Totals – Functions</b>	<b>67,515</b>	<b>26,465</b>	<b>17,160</b>	<b>(23,890)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>	<b>1,252</b>	<b>33,238</b>		<b>31,986</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>212</b>		<b>212</b>
<b>NET OPERATING RESULT <sup>(1)</sup></b>	<b>68,767</b>	<b>59,915</b>	<b>17,160</b>	<b>8,308</b>

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

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

Hawkesbury City Council

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

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Other State Government	400	3,200	<b>3,600</b>		400				400	2,800	<b>3,200</b>
Other	-	-	-							-	-
<b>Total Loans</b>	<b>400</b>	<b>3,200</b>	<b>3,600</b>	-	<b>400</b>	-	-	-	<b>400</b>	<b>2,800</b>	<b>3,200</b>
<b>Other Long Term Debt</b>											
Government Advances	-	-	-							-	-
Deferred Payments	-	-	-							-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	-	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>400</b>	<b>3,200</b>	<b>3,600</b>	-	<b>400</b>	-	-	-	<b>400</b>	<b>2,800</b>	<b>3,200</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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





**Special Schedule No. 3 – Water Supply Income Statement**

Not required

**Special Schedule No. 4 – Water Supply Balance Sheet**

Not required

## Special Schedule No. 5 - Sewerage Income Statement

Hawkesbury City Council

### Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	847	821
b. Engineering and Supervision	824	653
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	(212)	(151)
b. Maintenance expenses	315	274
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	-	-
e. Maintenance expenses	507	436
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,390	1,225
g. Chemical costs	-	-
h. Energy costs	-	-
i. Effluent Management	290	338
j. Biosolids Management	-	-
k. Maintenance expenses	23	18
<b>- Other</b>		
l. Operation expenses	2	5
m. Maintenance expenses	-	-
<b>3. Depreciation expenses</b>		
a. System assets	2,692	2,494
b. Plant and equipment	55	47
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	26	18
<b>5. Total expenses</b>	<b>6,759</b>	<b>6,178</b>

## Hawkesbury City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	3,516	3,192
<b>7. Non-residential charges</b>		
a. Access (including rates)	22	23
b. Usage charges	834	779
<b>8. Trade Waste Charges</b>		
a. Annual Fees	509	354
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	21	1
<b>10. Interest income</b>	253	412
<b>11. Other income</b>	(202)	(159)
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	38	37
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	210	55
b. Developer provided assets	-	-
c. Other contributions	105	6,160
<b>14. Total income</b>	<u>5,306</u>	<u>10,854</u>
<b>15. Gain (or loss) on disposal of assets</b>	43	(1)
<b>16. Operating Result</b>	<u>(1,410)</u>	<u>4,675</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	(1,410)	4,675

## Hawkesbury City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2012

\$'000	Actuals 2012	Actuals 2011
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	4,606	5,329
b. New Assets for Growth	100	2,273
c. Renewals	93	186
d. Plant and equipment	-	2
<b>18. Repayment of debt</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<u>4,799</u>	<u>7,790</u>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	52	-
<b>22. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<u>52</u>	<u>-</u>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	6,823	6,791
b. Residential (unoccupied, ie. vacant lot)	68	110
c. Non-residential (occupied)	863	865
d. Non-residential (unoccupied, ie. vacant lot)	60	61
<b>26. Number of ETs for which developer charges were received</b>	29 ET	40 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 173,556	\$ 156,020

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2012

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/> No	
If Yes, go to 29a. If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2011/12 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text"/> -
* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.			
However, disclosure of cross-subsidies is <b>not</b> required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.			

## Special Schedule No. 6 - Sewerage Balance Sheet

Hawkesbury City Council

### Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	(1,572)	-	(1,572)
b. Special purpose grants	-	95	95
c. Accrued leave	-	-	-
d. Unexpended loans	43	-	43
e. Sinking fund	-	-	-
f. Other	(2,105)	5,204	3,099
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	226	-	226
c. Other (including User Charges)	498	-	498
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	88,583	88,583
b. Plant and equipment	-	241	241
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<u>(2,910)</u>	<u>94,123</u>	<u>91,213</u>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	375	-	375
<b>39. Borrowings</b>			
a. Loans	389	2,460	2,849
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	193	16	209
<b>41. Total Liabilities</b>	<u>957</u>	<u>2,476</u>	<u>3,433</u>
<b>42. NET ASSETS COMMITTED</b>	<u>(1,953)</u>	<u>91,647</u>	<u>87,780</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			43,703
<b>44. Asset revaluation reserve</b>			44,077
<b>45. TOTAL EQUITY</b>			<u>87,780</u>
<b>Note to system assets:</b>			
<b>46. Current replacement cost of system assets</b>			160,193
<b>47. Accumulated current cost depreciation of system assets</b>			(71,610)
<b>48. Written down current cost of system assets</b>			<u>88,583</u>



## Hawkesbury City Council

### Special Schedule No. 7 - Condition of Public Works (continued) as at 30 June 2012

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition <sup>#</sup>	Estimated cost to bring up to a satisfactory condition / standard <sup>(1)</sup>	Required <sup>(2)</sup> Annual Maintenance	Current <sup>(3)</sup> Annual Maintenance
Sewerage	Pump Stations	1.00%	350	16,918		6,138	10,780	3	450	250	287
	Reticulation	2.00%	851	61,141		30,553	30,588	3-4	4,100	158	150
	Manholes	1.00%	250	17,914		10,364	7,550	3	2,000	30	30
	Mains	1 - 1.43%	141	9,059		4,481	4,578	3-4	100	5	5
	Treatment Works	1 - 1.43%	1,078	44,463		19,557	24,906	3-4	600	1,400	1,348
	Plant	20.00%					-	5	100	62	76
	Other						-				
	<b>sub total</b>			<b>2,670</b>	<b>149,495</b>	<b>-</b>	<b>71,093</b>	<b>78,402</b>		<b>7,350</b>	<b>1,905</b>





## Special Schedule No. 8 - Financial Projects

Hawkesbury City Council

### Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual <sup>(1)</sup> 11/12	Forecast 12/13	Forecast 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16
<b>(i) OPERATING BUDGET</b>					
Income from continuing operations	77,075	57,957	60,666	63,717	66,744
Expenses from continuing operations	68,767	67,235	74,738	77,510	81,703
<b>Operating Result from Continuing Operations</b>	<b><u>8,308</u></b>	<b><u>(9,278)</u></b>	<b><u>(14,072)</u></b>	<b><u>(13,793)</u></b>	<b><u>(14,959)</u></b>
<b>(ii) CAPITAL BUDGET</b>					
Capital New, Replace/Refurbishment of Existing Asset:	31,057	13,109	13,899	22,014	14,400
<b>Total Capital Budget</b>	<b><u>31,057</u></b>	<b><u>13,109</u></b>	<b><u>13,899</u></b>	<b><u>22,014</u></b>	<b><u>14,400</u></b>
<b>Funded by:</b>					
– Asset sales	757	729	1,209	871	1,288
– Reserves	2,151	2,768	(854)	5,642	(2,683)
– Grants/Contributions	17,161	837	1,331	2,170	2,209
– Recurrent revenue	10,988	8,775	12,213	13,331	13,586
	<b><u>31,057</u></b>	<b><u>13,109</u></b>	<b><u>13,899</u></b>	<b><u>22,014</u></b>	<b><u>14,400</u></b>

**Notes:**

(1) From 11/12 Income Statement.

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

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.

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

**Administration** <sup>(1)</sup> (item 1a of Special Schedules 3 and 5) comprises the following:

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

**Engineering and supervision** <sup>(1)</sup> (item 1b of Special Schedules 3 and 5) comprises the following:

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

**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.

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

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

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

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

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

### Notes:

1. Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (i.e. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).
2. To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.