



# Hawkesbury City Council

Attachment 2  
to  
item 246

Attachment 1  
to  
item 253

General Purpose and Special Purpose  
Financial Report and Special Schedules  
for the period ending 30 June 2011.

date of meeting: 8 November 2011  
location: council chambers  
time: 6:30 p.m.





Hawkesbury River

# Hawkesbury City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2011

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





# Hawkesbury City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2011

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Hawkesbury City Council.

(ii) Hawkesbury City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- 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 11/10/11.  
Council has the power to amend and reissue the financial statements.

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# Hawkesbury City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2011

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2011.

The format of the Financial Statements is standard across all NSW Councils and complies with both the accounting & 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 & ownership of the Financial Statements.

### About the Primary Financial Statements

The Financial Statements incorporate 5 "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 & Equip.

#### 3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & 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 5 Primary Financial Statements.

### About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the Financial Statements present fairly the Council's financial performance & position, &
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 & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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.

## **HAWKESBURY CITY COUNCIL**

### **General Purpose Financial Statements FOR THE YEAR ENDED 30 June 2011**

#### **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:

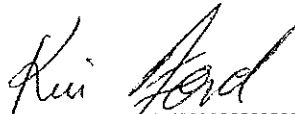
- The Local Government Act 1993 (as amended) and the Regulations made there under.
- The Australian Accounting Standards and Professional Pronouncements.
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

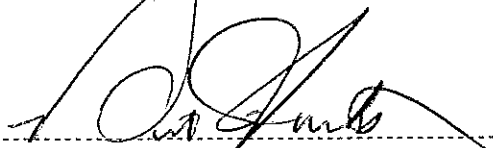
Signed in accordance with a resolution of Council made on 11 October 2011



*Councillor Kim Ford, Mayor*



*Councillor Tiffany Tree, Deputy Mayor*



*Peter Jackson, General Manager*



*Emma Galea, Responsible Accounting Officer*

## Hawkesbury City Council

## Income Statement

for the financial year ended 30 June 2011

Budget <sup>(1)</sup>			Actual	Actual
2011	\$ '000	Notes	2011	2010
Income from Continuing Operations				
Revenue:				
38,084	Rates & Annual Charges	3a	37,638	36,091
4,333	User Charges & Fees	3b	4,576	6,203
1,793	Interest & Investment Revenue	3c	2,945	3,343
3,382	Other Revenues	3d	3,534	3,988
6,508	Grants & Contributions provided for Operating Purposes	3e,f	6,981	7,028
8,763	Grants & Contributions provided for Capital Purposes	3e,f	12,266	21,243
Other Income:				
-	Net gains from the disposal of assets	5	290	256
-	Entities using the equity method	19	208	377
62,863	Total Income from Continuing Operations		68,438	78,529
Expenses from Continuing Operations				
16,482	Employee Benefits & On-Costs	4a	21,381	20,985
-	Borrowing Costs	4b	562	222
19,605	Materials & Contracts	4c	16,823	16,235
17,322	Depreciation & Amortisation	4d	16,242	10,734
-	Impairment	4d	-	-
10,866	Other Expenses	4e	8,923	8,353
-	Entities using the equity method	19	-	-
64,275	Total Expenses from Continuing Operations		63,931	56,529
(1,412)	Operating Result from Continuing Operations		4,507	22,000
(1,412)	Net Operating Result for the Year		4,507	22,000
(11,587)	Net Operating Result attributable to Council		4,507	22,000
10,175	Net Operating Result attributable to Minority Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(10,175)			(7,759)	757

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



## Hawkesbury City Council

# Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
<b>Net Operating Result for the year (as per Income statement)</b>			
		<b>4,507</b>	<b>22,000</b>
<b>Other Comprehensive Income</b>			
Asset revaluation reserve of I,PP&E	20b (ii)	121,719	226,267
Changes in Accounting Policies (prior year effects)	20b (ii)	13,507	-
Correction of Prior Period Errors	20b (ii)	(44,969)	-
Adjustment to revaluation reserve	20b (ii)	(122)	-
Adjustment to correct prior period depreciation errors		-	(43,013)
<b>Total Other Comprehensive Income for the year</b>		<b>90,135</b>	<b>183,254</b>
<b>Total Comprehensive Income for the Year</b>		<b>94,642</b>	<b>205,254</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>94,642</b>	<b>205,254</b>
<b>Total Comprehensive Income attributable to Minority Interests</b>		<b>-</b>	<b>-</b>

## Hawkesbury City Council

## Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	8,300	17,126
Investments	6b	35,700	27,500
Receivables	7	4,176	5,080
Inventories	8	189	209
Other	8	145	111
<b>Total Current Assets</b>		<b>48,510</b>	<b>50,026</b>
<b>Non-Current Assets</b>			
Receivables	7	1,184	844
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	726,453	629,013
Investments accounted for using the equity method	19	1,626	1,418
Investment Property	14	25,855	25,855
<b>Total Non-Current Assets</b>		<b>755,118</b>	<b>657,130</b>
<b>TOTAL ASSETS</b>		<b>803,628</b>	<b>707,156</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	6,082	5,506
Borrowings	10	382	376
Provisions	10	7,527	6,611
<b>Total Current Liabilities</b>		<b>13,991</b>	<b>12,493</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	2,463	2,500
Provisions	10	5,313	4,944
<b>Total Non-Current Liabilities</b>		<b>7,776</b>	<b>7,444</b>
<b>TOTAL LIABILITIES</b>		<b>21,767</b>	<b>19,937</b>
<b>Net Assets</b>		<b>781,861</b>	<b>687,219</b>
<b>EQUITY</b>			
Retained Earnings	20	298,133	325,088
Revaluation Reserves	20	483,728	362,131
Council Equity Interest		781,861	687,219
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>781,861</b>	<b>687,219</b>

## Hawkesbury City Council

Statement of Changes in Equity  
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity 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 1/7/10)</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>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2010</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		346,101	135,864	<b>481,965</b>	-	<b>481,965</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>346,101</b>	<b>135,864</b>	<b>481,965</b>	-	<b>481,965</b>
<b>c. Net Operating Result for the Year</b>		<b>22,000</b>	-	<b>22,000</b>	-	<b>22,000</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	226,267	<b>226,267</b>	-	<b>226,267</b>
- Other (depreciation & retained earnings adjustments)	20b (ii)	(43,013)	-	<b>(43,013)</b>	-	<b>(43,013)</b>
<b>Other Comprehensive Income</b>		<b>(43,013)</b>	<b>226,267</b>	<b>183,254</b>	-	<b>183,254</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>(21,013)</b>	<b>226,267</b>	<b>205,254</b>	-	<b>205,254</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>325,088</b>	<b>362,131</b>	<b>687,219</b>	-	<b>687,219</b>

## Hawkesbury City Council

## Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
<b>Cash Flows from Operating Activities</b>				
<u>Receipts:</u>				
38,084	Rates & Annual Charges		37,244	35,894
4,333	User Charges & Fees		4,226	6,878
1,793	Investment & Interest Revenue Received		2,902	1,502
6,508	Grants & Contributions		19,787	11,658
3,382	Other		7,796	7,383
<u>Payments:</u>				
(16,482)	Employee Benefits & On-Costs		(20,565)	(20,790)
(19,605)	Materials & Contracts		(16,517)	(15,809)
-	Borrowing Costs		11	-
	Bonds & Deposits Refunded		309	-
(10,866)	Other		(13,130)	(11,981)
<b>7,147</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>22,063</b>	<b>14,735</b>
<b>Cash Flows from Investing Activities</b>				
<u>Receipts:</u>				
571	Sale of Infrastructure, Property, Plant & Equipment		954	910
	Deferred Debtors Receipts		5	44
<u>Payments:</u>				
	Purchase of Investment Securities		(8,200)	(5,876)
(22,268)	Purchase of Infrastructure, Property, Plant & Equipment		(23,248)	(15,611)
<b>(21,697)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(30,489)</b>	<b>(20,533)</b>
<b>Cash Flows from Financing Activities</b>				
<u>Receipts:</u>				
	Proceeds from Borrowings & Advances		-	2,876
<u>Payments:</u>				
	Repayment of Borrowings & Advances		(400)	-
<b>-</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(400)</b>	<b>2,876</b>
<b>(14,550)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(8,826)</b>	<b>(2,922)</b>
17,126	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	17,126	20,048
<b>2,576</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>8,300</b>	<b>17,126</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	35,700	27,500
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>44,000</b>	<b>44,626</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				

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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n/a - not applicable

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these 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,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

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

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

##### (iii) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for (i) 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, (ii) the write down of any Asset on the basis of Impairment (if warranted) and (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

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

##### (iv) Changes in Accounting Policies

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

Due to a change in accounting policy:

1. Hawkesbury Leisure Centre has not been consolidated in this years financial statements.
2. Land under roads has been valued using the adjoining site value method.

##### (v) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

##### (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.

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

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

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

Revenue is measured on major income categories as follows:

#### **Rates, Annual Charges, Grants and Contributions**

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

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

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

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

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

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

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

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

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

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

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

#### **User Charges, Fees and Other Income**

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

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

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

#### **Sale of Infrastructure, Property, Plant and Equipment**

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

#### **Interest and Rents**

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 & Investments is accounted for using the Effective Interest method in accordance with AASB 139.



# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

#### (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 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

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

Due to a change in accounting policy Hawkesbury Leisure Centre has not been consolidated in this years financial statements.

#### (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 & 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 & 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), ie. 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 & 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 City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

#### ▪ Hawkesbury River County Council

Control of noxious weeds, incorporating 4 member councils.

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

Council is of the opinion that it neither controls nor significantly influences the above County 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.

##### Finance Leases

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

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

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

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

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

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

#### Operating Leases

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

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

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

#### (e) Cash and Cash Equivalents

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.**

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

#### (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 &/or are expected to be realised within 12 months of the balance sheet date.

#### (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.

#### (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.

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

#### Financial Assets – Reclassification

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

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

#### (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.

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.

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

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

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

#### General Accounting & Measurement of Financial Instruments:

##### (i) Initial Recognition

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

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

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

##### (ii) Subsequent Measurement

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

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

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

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

the available-for-sale investments revaluation reserve.

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

#### Impairment

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

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.

##### (iii) Types of Investments

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

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

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

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

#### (g) Fair value estimation

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

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

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

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

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

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

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

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

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

#### (h) Receivables

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

Receivables (excluding Rates & 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 (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

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,PP&E)

##### 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,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),

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

#### Initial Recognition

On initial recognition, an assets 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



# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Subsequent costs

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

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

#### Asset Revaluations (including Indexation)

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

- Increases in the 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 5 year cycle.

#### Capitalisation Thresholds

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

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

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

<b>Buildings &amp; Land Improvements</b>	
Park Furniture & Equipment	> \$1,000

<b>Building</b>	
- construction/extensions	> \$1,000
- renovations	> \$1,000
Other Structures	> \$1,000

<b>Sewer Assets</b>	
Reticulation extensions	> \$1,000
Other	> \$1,000

<b>Stormwater Assets</b>	
Drains & Culverts	> \$1,000
Other	> \$1,000

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

#### Depreciation

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

Land is not depreciated.

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

#### Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 15 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 & 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.

#### 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.

Due to a change in accounting policy land under roads has been valued using the adjoining site value method.

#### (m) Intangible Assets

##### IT Development and Software

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

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 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 utilised each year in between the full revaluations, based on the economic climate conditions.

The last full revaluation for Council's Investment Properties was dated 30/06/10.

#### (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,



## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

This amortisation of the 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" & 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.

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

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,PP&E is subject to an annual assessment of impairment.

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

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

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

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

#### (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;

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

- 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 & 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 (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 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

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

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, council's share has a significant deficiency of assets over liabilities amounting to around \$1.77 million at 30 June 2011.

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 30/6/11.

#### (y) Self insurance

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

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

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

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

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

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

#### Exceptions

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

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

#### (aa) Taxes

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

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

#### Goods & Services Tax (GST)

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

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

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

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. 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 2011.

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

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

#### Applicable to Local Government with implications:

***AASB 9 Financial Instruments, 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.

#### Applicable to Local Government but no implications for Council;

***AASB 2009 14 Amendments to Australian Interpretation – Prepayments of a Minimum***



# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 1. Summary of Significant Accounting Policies (continued)

#### ***Funding Requirement (effective from 1 January 2011)***

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

#### ***AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)***

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

#### ***Not applicable to Local Government per se;***

#### ***Revised AASB 124 Related Party Disclosures and AASB 2009 12 Amendments to Australian Accounting Standards (effective from 1 January 2011)***

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

#### ***AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)***

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

#### ***AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)***

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2011

#### Note 1. Summary of Significant Accounting Policies (continued)

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##### **(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.

## Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2011

## 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 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010		
Governance		-	-	686	809	-	(686)	(809)	-	-	-	5	155
Administration	3,172	3,326	3,181	2,774	3,321	3,552	398	5	(371)	-	-	81,746	71,366
Public Order & Safety	1,291	1,529	1,440	3,258	3,336	3,163	(1,967)	(1,807)	(1,723)	62	56	11,417	2,680
Health	379	400	329	619	605	579	(240)	(205)	(250)	-	-	22	187
Community Services & Education	82	188	70	1,308	1,452	1,230	(1,226)	(1,264)	(1,160)	99	69	115	7,866
Housing & Community Amenities	12,483	11,718	14,700	15,999	14,240	11,950	(3,516)	(2,522)	2,750	154	223	159,948	54,486
Sewerage Services	10,910	11,067	12,838	5,527	6,390	5,493	5,383	4,677	7,345	37	35	91,855	93,858
Recreation & Culture	250	2,234	3,922	13,228	14,666	16,336	(12,978)	(12,432)	(12,414)	680	1,198	46,464	82,659
Fuel & Energy	500	625	122	508	448	17	(8)	177	105	89	-	48,842	233
Mining, Manufacturing & Construction	428	387	453	836	835	781	(408)	(448)	(328)	-	-	-	-
Transport & Communication	4,825	6,786	8,282	16,832	14,751	12,051	(12,007)	(7,965)	(3,769)	3,684	4,495	345,514	353,189
Economic Affairs	1,832	1,857	2,144	1,642	1,743	1,377	190	114	767	-	8	16,074	39,059
Total Functions & Activities	36,152	40,117	47,481	63,217	62,596	56,529	(27,065)	(22,479)	(9,048)	4,805	6,084	802,002	705,738
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		208	377		-	-	-	208	377	-	-	1,626	1,418
General Purpose Income <sup>1</sup>	26,711	28,113	30,671	1,058	1,335	-	25,653	26,778	30,671	4,802	4,605	-	-
Operating Result from Continuing Operations	62,863	68,438	78,529	64,275	63,931	56,529	(1,412)	4,507	22,000	9,607	10,689	803,628	707,156

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



# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

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

#### **GOVERNANCE**

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

#### **ADMINISTRATION**

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

#### **PUBLIC ORDER & SAFETY**

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

#### **HEALTH**

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

#### **ENVIRONMENT**

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

#### **COMMUNITY SERVICES & EDUCATION**

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

#### **HOUSING & COMMUNITY AMENITIES**

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

#### **WATER SUPPLIES**

#### **SEWERAGE SERVICES**

#### **RECREATION & 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.

#### **FUEL & ENERGY - Gas Supplies**

#### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries & pits, other.

#### **TRANSPORT & COMMUNICATION**

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

#### **ECONOMIC AFFAIRS**

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

## Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2011

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		20,906	20,023
Farmland		1,230	1,324
Business		2,387	2,281
<b>Total Ordinary Rates</b>		<b>24,523</b>	<b>23,628</b>
<b>Annual Charges</b> (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		6,736	5,960
Sewerage Services		3,995	3,581
Waste Management Services (non-domestic)		669	592
Section 611 Charges		15	15
Sullage		1,700	2,315
<b>Total Annual Charges</b>		<b>13,115</b>	<b>12,463</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>37,638</b>	<b>36,091</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 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Sewerage Services		365	246
Waste Management Services (non-domestic)		15	9
Sullage		264	201
<b>Total User Charges</b>		<b>644</b>	<b>456</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s608 & 610A)			
Planning & Building Regulation		892	900
Regulatory/ Statutory Fees		194	155
Registration Fees		3	4
Section 149 Certificates (EPA Act)		153	160
Section 603 Certificates		72	83
SMF Inspection Fees		205	159
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,519</b>	<b>1,461</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges</b> (per s.610C))			
Caravan Park		3	2
Cemeteries		139	136
Dog Pound		535	478
Leaseback Fees - Council Vehicles		205	160
Library		68	75
Park Rents		6	15
Restoration Charges		42	64
Swimming Centres / Sports Stadium		151	2,199
Vehicle Inspection Fees		17	13
Waste Management Facility		1,223	1,123
Other		24	21
<b>Total Fees &amp; Charges - Other</b>		<b>2,413</b>	<b>4,286</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>4,576</b>	<b>6,203</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		195	204
- Interest earned on Investments (interest & coupon payment income)		2,750	2,014
- Interest & Dividend Income - Other		-	1
<b>Premiums recognised on financial instrument transactions</b>			
- Interest Free Loan from State Government		-	1,124
<b>Other</b>		-	-
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>2,945</u></b>	<b><u>3,343</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		195	204
General Council Cash & Investments		1,803	2,331
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94 /94A		384	294
- Section 64		1	23
Sewerage Fund Operations		383	218
Domestic Waste Management operations		49	45
Stormwater Management		124	108
Other Externally Restricted Assets		6	13
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		-	107
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b><u>2,945</u></b>	<b><u>3,343</u></b>
<b>(d). Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	-	206
Rental Income - Investment Properties	14	1,590	1,659
Rental Income - Other Council Properties		395	304
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	-	-
Fines - Parking		392	420
Fines - Other		63	62
Legal Fees Recovery - Rates & Charges (Extra Charges)		407	282
GST Fuel Rebates		65	66
NSW Rural Fire Reimbursement		131	126
Recycling Income		170	225
Other		321	638
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>3,534</u></b>	<b><u>3,988</u></b>

## Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2011

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

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	2,945	2,841	-	-
Financial Assistance - Local Roads Component	1,552	1,462	-	-
Pensioners' Rates Subsidies - General Component	305	302	-	-
<b>Total General Purpose</b>	<b>4,802</b>	<b>4,605</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Sewerage	37	35	-	-
- Domestic Waste Management	106	96	-	-
Aged Care	46	39	-	-
Community Care	53	41	-	-
Housing and Community	49	126	-	-
Public Order & Safety	61	56	-	-
Recreation & Culture	375	444	305	839
Street Lighting	89	86	-	-
Transport (Other Roads & Bridges Funding)	650	770	3,034	3,544
Other	-	-	-	8
<b>Total Specific Purpose</b>	<b>1,466</b>	<b>1,693</b>	<b>3,339</b>	<b>4,391</b>
<b>Total Grants</b>	<b>6,268</b>	<b>6,298</b>	<b>3,339</b>	<b>4,391</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	4,945	4,737	2,817	2,608
- State Funding	1,323	1,561	522	1,783
- Other Funding	-	-	-	-
	<b>6,268</b>	<b>6,298</b>	<b>3,339</b>	<b>4,391</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	36	-	444	155
S 94A - Fixed Development Consent Levies	-	-	103	378
S 64 - Sewerage Service Contributions	-	-	56	10,394
<b>Total Developer Contributions</b>	<b>36</b>	<b>-</b>	<b>603</b>	<b>10,927</b>
<b>Other Contributions:</b>				
Bushfire Prevention	235	205	-	-
Dedications (other than by S94)	-	-	1,769	4,729
Other Councils - Joint Works/Services	201	192	-	-
Parks Contributions	26	57	16	-
Regional & Local Infrastructure	20	-	379	360
RTA Contributions (Regional/Local, Block Grant)	-	137	-	-
SES Vehicles	-	-	-	80
Sewerage (excl. Section 64 contributions)	-	3	6,160	699
Other	195	136	-	57
<b>Total Other Contributions</b>	<b>677</b>	<b>730</b>	<b>8,324</b>	<b>5,925</b>
<b>Total Contributions</b>	<b>713</b>	<b>730</b>	<b>8,927</b>	<b>16,852</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>6,981</b>	<b>7,028</b>	<b>12,266</b>	<b>21,243</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Actual 2011	Actual 2010
<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	9,631	9,233
<b>add:</b> Grants and contributions recognised in the current period which have not been spent:	4,221	4,100
<b>less:</b> Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(5,651)	(3,702)
<b>Net Increase (Decrease) in Restricted Assets during the Current Reporting Period</b>	<b>(1,430)</b>	<b>398</b>
<b>Unexpended at the Close of this Reporting Period and held as Restricted Assets</b>	<b>8,201</b>	<b>9,631</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	1,425	3,160
- Developer Contributions	6,776	6,471
- Other Contributions	-	-
	<b>8,201</b>	<b>9,631</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		16,043	16,280
Travelling		10	12
Employee Leave Entitlements (ELE)		2,688	2,004
Superannuation		2,218	2,295
Workers' Compensation Insurance		697	691
Fringe Benefit Tax (FBT)		21	23
Payroll Tax		20	21
Training Costs (other than Salaries & Wages)		217	215
Other		8	8
<b>Total Employee Costs</b>		<b>21,922</b>	<b>21,549</b>
less: Capitalised Costs		(541)	(564)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>21,381</b>	<b>20,985</b>
Number of "Equivalent Full Time" Employees at year end		<b>257</b>	<b>248</b>
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		<b>268</b>	<b>260</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Nil			
<b>Total Interest Bearing Liability Costs</b>		<b>-</b>	<b>-</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>-</b>	<b>-</b>
<b>(ii) Other Borrowing Costs</b>			
Premium recognised on financial instrument transaction			
- * Unwinding of interest free loan from State Government		369	-
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	193	222
<b>Total Other Borrowing Costs</b>		<b>562</b>	<b>222</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>562</b>	<b>222</b>

\* Unwinding of interest free loan calculation was based on 4.71%



## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		11,378	10,939
Contractor & Consultancy Costs		4,914	4,287
Auditors Remuneration			
- Audit Services: Council's Auditor		51	46
- Other Services: Council's Auditor		26	17
- Audit Services: Auditors of other Consolidated Entities		7	66
Legal Expenses:			
- Legal Expenses: Planning & Development		93	142
- Legal Expenses: Other		105	109
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(1)</sup>		-	22
Other		249	607
<b>Total Materials &amp; Contracts</b>		<b>16,823</b>	<b>16,235</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>16,823</b>	<b>16,235</b>
<b>1. Operating Lease Payments are attributable to:</b>			
- Other		-	22
		<b>-</b>	<b>22</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
Plant and Equipment		-	-	1,534	1,229
Office Equipment		-	-	426	371
Furniture & Fittings		-	-	37	59
Property, Plant & Equipment - Leased		-	-	-	-
Land Improvements (depreciable)		-	-	290	280
Buildings - Non Specialised		-	-	604	582
Buildings - Specialised		-	-	2,821	2,783
Other Structures		-	-	381	357
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	5,589	2,003
- Stormwater Drainage		-	-	1,557	494
- Sewerage Network		-	-	2,473	2,146
Other Assets					
- Heritage Collections		-	-	-	-
- Library Books		-	-	350	299
- Other		-	-	107	58
Asset Reinstatement Costs	9 & 26	-	-	73	73
<b><u>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</u></b>		<b>-</b>	<b>-</b>	<b>16,242</b>	<b>10,734</b>

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		155	164
Bad & Doubtful Debts		7	12
Bank Charges		152	192
Cleaning		330	296
Computer Software Charges		536	406
Contributions/Levies to Other Levels of Government			
- Bushfire Fighting Fund		398	367
- NSW Fire Brigade Levy		138	127
- Waste S88 EPA Contribution		1,721	1,345
- Other Contributions/Levies		492	502
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		192	183
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		79	82
Donations, Contributions & Assistance to other organisations (Section 356)		84	120
Electricity & Heating		734	686
Fire Control Expenses		135	147
Gas		67	116
Insurance		862	774
Licences & Subscriptions		107	69
Office Expenses (including computer expenses)		100	84
Postage		129	133
Printing & Stationery		100	100
Revaluation Decrements (Fair Valuation of I,PP&E Assets)	9(a)	-	-
Security	14	31	38
Sewerage Treatment Works Operations	14	724	606
Stormwater - Environmental	14	76	112
Street Lighting		582	531
Telephone & Communications		212	244
Valuation Fees (Rates)		117	110
Water		124	130
Other		504	643
<b>Total Other Expenses</b>		<b>8,923</b>	<b>8,353</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>8,923</u></b>	<b><u>8,353</u></b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		954	898
less: Carrying Amount of P&E Assets Sold		(664)	(654)
<b>Net Gain/(Loss) on Disposal</b>		<b>290</b>	<b>244</b>
<b>Infrastructure</b>			
Proceeds from Disposal		-	12
less: Carrying Amount of Infrastructure Assets Sold / Written Off		-	-
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>12</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>290</b>	<b>256</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		670	-	346	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		4,630	-	6,780	-
- Short Term Deposits		3,000	-	10,000	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>8,300</b>	<b>-</b>	<b>17,126</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Long Term Deposits		35,700	-	27,500	-
<b>Total Investment Securities</b>		<b>35,700</b>	<b>-</b>	<b>27,500</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>44,000</b>	<b>-</b>	<b>44,626</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**

<b>a. "At Fair Value through the Profit &amp; Loss"</b>	<b>8,300</b>	<b>-</b>	<b>17,126</b>	<b>-</b>
---	--------------	----------	---------------	----------

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

- "Held for Trading"	6(b-i)	-	-	-
<b>b. "Held to Maturity"</b>	6(b-ii)	35,700	-	27,500
<b>c. "Loans &amp; Receivables"</b>	6(b-iii)	-	-	-
<b>d. "Available for Sale"</b>	6(b-iv)	-	-	-
<b>Investments</b>		<b>35,700</b>	<b>-</b>	<b>27,500</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 6b. Investments (continued)

	2011	2011	2010	2010
	Actual	Actual	Actual	Actual
\$ '000	Current	Non Current	Current	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	27,500	-	20,500	-
Adjustment on adoption of AASB 132/139			-	-
Amortisation of Premiums & Discounts	-		-	-
Additions	8,200	-	7,000	-
<b>Balance at End of Year</b>	<b>35,700</b>	<b>-</b>	<b>27,500</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	35,700		27,500	-
<b>Total</b>	<b>35,700</b>	<b>-</b>	<b>27,500</b>	<b>-</b>

**Note 6(b-iii)****Reconciliation of Investments classified as "Loans & Receivables"**

Nil

**Note 6(b-iv)****Reconciliation of Investments classified as "Available for Sale"**

Nil



## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
\$ '000				
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>44,000</b>	<b>-</b>	<b>44,626</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	15,067	-	19,226	-
Internal Restrictions (refer below)	17,316	-	18,782	-
Unrestricted	11,617	-	6,618	-
	<b>44,000</b>	<b>-</b>	<b>44,626</b>	<b>-</b>

2011 \$ '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)	-	-	-	-
---	---	---	---	---

<b>External Restrictions - Included in Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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## External Restrictions - Other

Developer Contributions - General (D)	6,035	968	(217)	6,785
Developer Contributions - Sewer Fund (D)	436	55	(491)	-
Specific Purpose Unexpended Grants (F)	4,032	1,805	(5,837)	-
Specific Purpose Unexpended Grants (F) - Sewer Fund	668	5,944	(5,188)	1,425
Sewerage Services (G)	4,742	7,220	(8,592)	3,370
Domestic Waste Management (G)	1,088	7,846	(7,642)	1,292
Stormwater Management (G)	2,225	124	(154)	2,195
<b>External Restrictions - Other</b>	<b>19,226</b>	<b>23,962</b>	<b>(28,121)</b>	<b>15,067</b>
<b>Total External Restrictions</b>	<b>19,226</b>	<b>23,962</b>	<b>(28,121)</b>	<b>15,067</b>

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	205	2	(71)	136
Employees Leave Entitlement	1,827	25	(150)	1,702
Council S94 Contributions	557	5	(214)	348
Drainage	17		(17)	-
Election	369	105	(127)	347
Glossodia/Freemans	53	1		54
Heritage	75	1		76
Information Technology	308	4	(17)	295
Kerb & Gutter	123	2	(11)	114
Risk Management	407	59	(8)	458
Roadworks	1,187	1,150	(1,187)	1,150
Sullage	1,174	1,997	(2,490)	681
Tip Remediation	3,679	5,305	(4,705)	4,279
Trees	43		(43)	-
Parks & Gardens	49		(49)	-
Unexpended Contributions	525	8		533
Unspent Work Reserve	6,481	6,126	(6,908)	5,699
Workers Compensation	742	368	(497)	613
Other	961	73	(203)	831
<b>Total Internal Restrictions</b>	<b>18,782</b>	<b>15,231</b>	<b>(16,697)</b>	<b>17,316</b>
<b>TOTAL RESTRICTIONS</b>	<b>38,008</b>	<b>39,193</b>	<b>(44,818)</b>	<b>32,383</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** RTA 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.

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		1,590	1,050	1,528	718
Interest & Extra Charges		136	94	141	86
User Charges & Fees		661	36	339	34
Private Works		58	-	51	-
Accrued Revenues					
- Interest on Investments		943	-	903	-
Government Grants & Subsidies		440	-	1,943	-
Deferred Debtors		2	4	5	6
Net GST Receivable		440	-	264	-
<b>Total</b>		<b>4,270</b>	<b>1,184</b>	<b>5,174</b>	<b>844</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><u>TOTAL NET RECEIVABLES</u></b>		<b><u>4,176</u></b>	<b><u>1,184</u></b>	<b><u>5,080</u></b>	<b><u>844</u></b>
<b>Externally Restricted Receivables</b>					
<b>Sewerage Services</b>					
- Rates & Availability Charges		264	-	184	-
- Other		239	-	26	-
<b>Domestic Waste Management</b>				312	-
<b>Total External Restrictions</b>		<b>503</b>	<b>-</b>	<b>522</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>3,673</b>	<b>1,184</b>	<b>4,558</b>	<b>844</b>
<b>TOTAL NET RECEIVABLES</b>		<b>4,176</b>	<b>1,184</b>	<b>5,080</b>	<b>844</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 9.00% (2010 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.

## Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2011

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		180	-	200	-
Trading Stock		9	-	9	-
<b>Total Inventories</b>		<b>189</b>	<b>-</b>	<b>209</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		145	-	111	-
<b>Total Other Assets</b>		<b>145</b>	<b>-</b>	<b>111</b>	<b>-</b>
<b><u>TOTAL INVENTORIES / OTHER ASSETS</u></b>		<b><u>334</u></b>	<b><u>-</u></b>	<b><u>320</u></b>	<b><u>-</u></b>
<b>Externally Restricted Assets</b>					
There are no restrictions applicable to the above assets.					
<b>Domestic Waste Management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total Externally Restricted Assets</b>		-	-	-	-
<b>Total Internally Restricted Assets</b>		-	-	-	-
<b>Total Unrestricted Assets</b>		334	-	320	-
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>334</b>	<b>-</b>	<b>320</b>	<b>-</b>

## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2011

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

	as at 30/6/2010				Asset Movements during the Reporting Period						as at 30/6/2011				
	At	At	Accumulated	Carrying	Asset	WDV	Depreciation	Adjustments	Adjustments to	Revaluation	At	At	Accumulated	Carrying	
	Cost	Fair Value	Deprec.	Value	Additions	of Asset Disposals	Expense	& Transfers	Depreciation and Retained Earnings	Increments to Equity (ARR)	Cost	Fair Value	Dep'n	Value	
\$ '000															
Plant & Equipment	-	12,642	7,432	5,210	2,918	(664)	(1,534)	-	122		-	13,288	7,236	6,052	
Office Equipment	-	4,189	3,528	661	227		(426)				-	4,416	3,954	462	
Furniture & Fittings	-	1,527	1,365	162	92		(37)				-	1,620	1,403	217	
Land:															
- Operational Land	-	96,758	-	96,758							-	96,758	-	96,758	
- Community Land	29,742	-	-	29,742						37,166	-	66,908	-	66,908	
- Land under Roads (post 30/6/08)	-	377	-	377	1,769			13,507		-	-	15,653	-	15,653	
Land Improvements - depreciable	4,419	-	3,131	1,288			(290)	801			-	5,221	3,422	1,799	
Buildings - Non Specialised	-	19,693	9,249	10,444	562		(604)				-	20,221	9,846	10,375	
Buildings - Specialised	-	95,442	32,309	63,133	1,384		(2,821)				-	96,860	35,137	61,723	
Other Structures	11,308	-	4,105	7,203	1,248		(381)		(46,633)	82,040	-	94,596	51,119	43,477	
Infrastructure:															
- Roads, Bridges, Footpaths	-	506,302	241,380	264,922	7,386		(5,589)				-	513,687	246,968	266,719	
- Stormwater Drainage	-	154,958	74,503	80,455	701		(1,557)				-	155,659	76,060	79,599	
- Sewerage Network	-	128,801	62,149	66,652	7,882		(2,473)			2,306	-	141,056	66,689	74,367	
Other Assets:															
- Heritage Collections	60	-	60	-			-	-	736	207	-	943	-	943	
- Library Books	3,576	-	2,877	699	257		(350)				-	3,832	3,226	606	
- Other	770	-	85	685	101		(107)				-	871	192	679	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)															
- Tip Asset	1,055	-	433	622	369		(73)	(802)			-	622	506	116	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	50,930	1,020,689	442,606	629,013	24,896	(664)	(16,242)	13,506	(45,775)	121,719	-	1,232,211	505,758	726,453	

Additions to Buildings and Infrastructure are made up of Asset Renewals, amounting to \$6.3M and new assets amounting to \$18.5M. It is to be noted that \$8M worth of new assets relate to newly constructed Effluent Re-use network, which was fully grant and reserve funded.

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000 Class of Asset	Actual 2011				Actual 2010			
	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		599	368	231	-	537	341	196
Land								
- Operational Land		9,678		9,678	-	9,720	-	9,720
- Community Land		49		49	7	-	-	7
Buildings		970	496	474	-	970	474	496
Other Structures				-	-	-	-	-
Infrastructure		141,056	66,689	74,367	-	128,801	62,149	66,652
<b>Total Sewerage Services</b>	-	152,352	67,553	84,799	7	140,028	62,964	77,071
<b>Domestic Waste Management</b>								
Plant & Equipment		1,735	643	1,092	-	1,559	912	647
Buildings		10		10	-	10	-	10
Other Assets		415		415	-	368	29	339
<b>Total DWM</b>	-	2,160	643	1,517	-	1,937	941	996
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	154,512	68,196	86,316	7	141,965	63,905	78,067

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

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

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,897	-	4,611	-
Payments Received In Advance		247	-	266	-
Accrued Expenses:					
Security Bonds, Deposits & Retentions		938	-	629	-
Total Payables		6,082	-	5,506	-
Borrowings					
Loans - Secured <sup>1</sup>		382	2,463	376	2,500
Total Borrowings		382	2,463	376	2,500
Provisions					
Employee Benefits;					
Annual Leave		1,857	-	1,506	-
Sick Leave		891	-	794	-
Long Service Leave		3,840	304	3,438	344
Leave in Lieu		133	-	127	-
Sub Total - Aggregate Employee Benefits		6,721	304	5,865	344
Self Insurance - Workers Compensation		730	810	670	970
Asset Remediation/Restoration (Future Works)	26	76	4,199	76	3,630
Total Provisions		7,527	5,313	6,611	4,944
Total Payables, Borrowings & Provisions					
		13,991	7,776	12,493	7,444

## (i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Nil				
Domestic Waste Management	469	6	440	17
Sewer	703	2,479	656	2,522
<b>Liabilities relating to externally restricted assets</b>	<b>1,172</b>	<b>2,485</b>	<b>1,096</b>	<b>2,539</b>
<b>Internally Restricted Assets</b>				
Nil				
<b>Total Liabilities relating to restricted assets</b>	<b>1,172</b>	<b>2,485</b>	<b>1,096</b>	<b>2,539</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.



## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,823	3,914
Payables - Security Bonds, Deposits & Retentions	145	145
Other Liabilities	125	125
	<b>5,093</b>	<b>4,184</b>

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

Class of Provision	2010	2011			Unused amounts reversed	Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting		
Annual Leave	1,506	1,641	(1,290)			1,857
Sick Leave	794	799	(702)			891
Long Service Leave	3,782	876	(514)			4,144
Other Leave	127	21	(15)			133
Self Insurance	1,640	(100)				1,540
Asset Remediation	3,706	569				4,275
<b>TOTAL</b>	<b>11,555</b>	<b>3,806</b>	<b>(2,521)</b>	<b>-</b>	<b>-</b>	<b>12,840</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.

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	8,300	17,126
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>8,300</b>	<b>17,126</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>4,507</b>	<b>22,000</b>
Adjust for non cash items:			
Depreciation & Amortisation		16,242	10,734
Net Losses/(Gains) on Disposal of Assets		(290)	(256)
Non Cash Capital Grants and Contributions		(1,769)	(15,034)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		-	(206)
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		-	(1,124)
- Unwinding of interest free loan		369	-
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- "Held to Maturity" Financial Assets		-	-
Unwinding of Discount Rates on Reinstatement Provisions		193	222
Unwinding of Discount Rate in PV calculation		11	-
Share of Net (Profits) or Losses of Associates/Joint Ventures		(208)	(377)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		559	(1,745)
Decrease/(Increase) in Inventories		20	(31)
Decrease/(Increase) in Other Assets		772	59
Increase/(Decrease) in Payables		286	457
Increase/(Decrease) in Other Liabilities		290	34
Increase/(Decrease) in Employee Leave Entitlements		816	195
Increase/(Decrease) in Other Provisions		265	475
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>22,063</b>	<b>14,735</b>

# Hawkesbury City Council

## Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Dedicated Contribution		1,769	4,729
Section 64 Sewer - contributions in kind (Pitt Town)		-	10,305
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>1,769</b>	<b>15,034</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	1,000
<b>Total Financing Arrangements</b>		<b>1,300</b>	<b>1,800</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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
<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		486	3,026
<b>Total Commitments</b>		<b>486</b>	<b>3,026</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		486	3,026
Later than one year and not later than 5 years			-
Later than 5 years			-
<b>Total Payable</b>		<b>486</b>	<b>3,026</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		486	1,016
Unexpended Grants			172
Externally Restricted Reserves			448
Internally Restricted Reserves			1,390
<b>Total Sources of Funding</b>		<b>486</b>	<b>3,026</b>
<b>(b) Other Expenditure Commitments (exclusive of GST)</b>			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		7,451	8,725
Audit Services		356	47
Effluent Collection		69	92
Other		3,870	2,425
<b>Total Commitments</b>		<b>11,746</b>	<b>11,289</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		8,125	3,936
Later than one year and not later than 5 years		3,557	4,957
Later than 5 years		64	2,396
<b>Total Payable</b>		<b>11,746</b>	<b>11,289</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		468	241
Later than one year and not later than 5 years		739	419
Later than 5 years			-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>1,207</b>	<b>660</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.

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
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#### Conditions relating to Finance & Operating Leases:

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

#### (e) Investment Property Commitments

Nil

#### (f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year	862	848
Later than one year and not later than 5 years	1,790	1,016
Later than 5 years	-	-
<b>Total Payable</b>	<b>2,652</b>	<b>1,864</b>

#### (g) Investment in Associates / Joint Ventures - Commitments

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

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 20102009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions <sup>(1)</sup>	32,940	4.26 : 1	4.35	4.37
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	7,726			
2. Debt Service Ratio				
Debt Service Cost	400	0.74%	0.00%	0.11%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	53,993			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	37,638	55.00%	45.94%	53.71%
Income from Continuing Operations	68,438			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	2,870	7.05%	6.37%	6.12%
Rates, Annual & Extra Charges Collectible	40,713			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals <sup>(4)</sup> [Buildings & Infrastructure]	6,366	48.80%	67.57%	66.24%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	13,044			

## Notes

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

Also excludes any Real Estate &amp; 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 - 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 or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



## Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2011

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

<p><b>1. Unrestricted Current Ratio</b></p> <table><tr><th>Year</th><th>Ratio : 1</th></tr><tr><td>2008</td><td>4.43</td></tr><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></table>	Year	Ratio : 1	2008	4.43	2009	4.37	2010	4.35	2011	4.26	<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 2010/11 Result</b></p> <p><b>2010/11 Ratio    4.26 : 1</b></p> <p>Ratio decreased slightly as a result of an increase in funds being invested in deposits of maturity exceeding 3 months.</p>
Year	Ratio : 1											
2008	4.43											
2009	4.37											
2010	4.35											
2011	4.26											
<p><b>2. Debt Service Ratio</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>0.02%</td></tr><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></table>	Year	Ratio %	2008	0.02%	2009	0.11%	2010	0.00%	2011	0.74%	<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 2010/11 Result</b></p> <p><b>2010/11 Ratio    0.74%</b></p> <p>The ratio reflect the annual payment of a \$4M loan under the Local Infrastructure Fund agreement. This loan is interest free.</p>
Year	Ratio %											
2008	0.02%											
2009	0.11%											
2010	0.00%											
2011	0.74%											
<p><b>3. Rates &amp; Annual Charges Coverage</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>57.50%</td></tr><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></table>	Year	Ratio %	2008	57.50%	2009	53.71%	2010	45.94%	2011	55.00%	<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 2010/11 Result</b></p> <p><b>2010/11 Ratio    55.00%</b></p> <p>This ratio has increased over the previous year to less grant and contributions, cash and in kind, on the previous year.</p>
Year	Ratio %											
2008	57.50%											
2009	53.71%											
2010	45.94%											
2011	55.00%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>6.68%</td></tr><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></table>	Year	Ratio %	2008	6.68%	2009	6.12%	2010	6.37%	2011	7.05%	<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 2010/11 Result</b></p> <p><b>2010/11 Ratio    7.05%</b></p> <p>This ratio has deteriorated due higher levels of outstanding amounts as at June 2011. Also, there has been an increase in outstanding amounts being subject to payment arrangements.</p>
Year	Ratio %											
2008	6.68%											
2009	6.12%											
2010	6.37%											
2011	7.05%											
<p><b>5. Building &amp; Infrastructure Renewals</b></p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2008</td><td>54.51%</td></tr><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></table>	Year	Ratio %	2008	54.51%	2009	66.24%	2010	67.57%	2011	48.80%	<p><b>Purpose of Bldg &amp; Infrastructure 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>2010/11 Ratio    48.80%</b></p> <p>This ratio has deteriorated significantly as a result of the depreciation doubling on 2010 due to asset revaluations and consequent restating of depreciation.</p>
Year	Ratio %											
2008	54.51%											
2009	66.24%											
2010	67.57%											
2011	48.80%											

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Water 2011	Sewer 2011	General <sup>1</sup> 2011
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
Current Assets less all External Restrictions <sup>(1)</sup>	n/a	0.30 : 1	4.66 : 1
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
<b>2. Debt Service Ratio</b>			
Debt Service Cost	n/a	0.74%	0.00%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
Rates & Annual Charges	n/a	35.59%	58.80%
Income from Continuing Operations			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
Rates, Annual & Extra Charges Outstanding	n/a	6.61%	7.10%
Rates, Annual & Extra Charges Collectible			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
Asset Renewals <sup>(4)</sup> [Buildings & Infrastructure]	n/a	7.46%	58.58%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

## Notes

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

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
<b>(a) Investment Properties at Fair value</b>			
<b><u>Investment Properties on Hand</u></b>		<b><u>25,855</u></b>	<b><u>25,855</u></b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		25,855	25,649
- Net Gain/(Loss) from Fair Value Adjustments		-	206
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b><u>25,855</u></b>	<b><u>25,855</u></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 2010 revaluations 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>			
The 2011 valuations were maintained at the same level, based on information acquired from Council's property area and present economic climate			
<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		611	611
Later than 1 year but less than 5 years		1,834	1,834
Later than 5 years		176	176
<b>Total Minimum Lease Payments Receivable</b>		<b><u>2,621</u></b>	<b><u>2,621</u></b>
<b>(e) Investment Property Income &amp; Expenditure - summary</b>			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		1,395	1,464
- Other Rentals		195	195
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(194)	(191)
- that did not generate rental income		(253)	(256)
<b>Net Revenue Contribution from Investment Properties</b>		<b><u>1,143</u></b>	<b><u>1,212</u></b>
plus:			
<b>Fair Value Movement for year</b>		<b><u>-</u></b>	<b><u>206</u></b>
<b>Total Income attributable to Investment Properties</b>		<b><u>1,143</u></b>	<b><u>1,418</u></b>

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### 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	
	2011	2010	2011	2010
<b>Financial Assets</b>				
Cash and Cash Equivalents	8,300	17,126	8,300	17,126
Investments				
- "Held to Maturity"	35,700	27,500	35,700	27,500
Receivables	5,360	5,924	5,360	5,924
<b>Total Financial Assets</b>	<b>49,360</b>	<b>50,550</b>	<b>49,360</b>	<b>50,550</b>
<b>Financial Liabilities</b>				
Payables	5,835	5,240	5,835	5,240
Loans / Advances	2,845	2,876	2,845	2,876
<b>Total Financial Liabilities</b>	<b>8,680</b>	<b>8,116</b>	<b>8,680</b>	<b>8,116</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 far 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.

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### 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>2011</b>				
Possible impact of a 1% movement in Interest Rates	441	441	(441)	(441)
<b>2010</b>				
Possible impact of a 1% movement in Interest Rates	446	446	(446)	(446)

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### 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.

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:

	2011 Rates & Annual Charges	2011 Other Receivables	2010 Rates & Annual Charges	2010 Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	-	2,680	-	3,646
Overdue	2,640	134	2,246	126
	<b>2,640</b>	<b>2,814</b>	<b>2,246</b>	<b>3,772</b>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2011	2010
Balance at the beginning of the year			94	94
+ new provisions recognised during the year			7	13
- amounts already provided for & written off this year			(7)	(13)
<b>Balance at the end of the year</b>			<b>94</b>	<b>94</b>

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### 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		
2011									
Trade/Other Payables	938	4,897						5,835	5,835
Loans & Advances		400	400	400	400	400	1,600	3,600	2,845
Total Financial Liabilities	938	5,297	400	400	400	400	1,600	9,435	8,680
2010									
Trade/Other Payables	629	4,611	-	-	-	-	-	5,240	5,240
Loans & Advances	-	400	400	400	400	400	2,000	4,000	2,876
Total Financial Liabilities	629	5,011	400	400	400	400	2,000	9,240	8,116

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-		-	
Trade/Other Payables	5,835	0.0%	5,240	0.0%
Loans & Advances - Fixed Interest Rate	2,845	0.0%	2,876	0.0%
	<u>8,680</u>		<u>8,116</u>	



# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 22 June 2010.

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	2011 Budget	2011 Actual	2011 ----- Variance* -----	
<b>REVENUES</b>				
Rates & Annual Charges	38,084	37,638	(446)	(1%) <b>U</b>
User Charges & Fees	4,333	4,576	243	6% <b>F</b>
Interest & Investment Revenue	1,793	2,945	1,152	64% <b>F</b>
Investment Revenue is more than budgeted due to a higher level of funds invested. This was due to a number of projects being delayed. Also the interest rate achieved was higher than budget.				
Other Revenues	3,382	3,534	152	4% <b>F</b>
Operating Grants & Contributions	6,508	6,981	473	7% <b>F</b>
Capital Grants & Contributions	8,763	12,266	3,503	40% <b>F</b>
Only known grants are budgeted for in the original budget.				
Net Gains from Disposal of Assets	-	290	290	0% <b>F</b>
Share of Net Profits - Joint Ventures & Associates	-	208	208	0% <b>F</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*	
<b>EXPENSES</b>				
<b>Employee Benefits &amp; On-Costs</b>	<b>16,482</b>	<b>21,381</b>	<b>(4,899)</b>	<b>(30%) U</b>
Employee costs charged to jobs are budgeted as employee costs. Increases in employee entitlements provision not budgeted for.				
<b>Borrowing Costs</b>	<b>-</b>	<b>562</b>	<b>(562)</b>	<b>0% U</b>
<b>Materials &amp; Contracts</b>	<b>19,605</b>	<b>16,823</b>	<b>2,782</b>	<b>14% 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>17,322</b>	<b>16,242</b>	<b>1,080</b>	<b>6% F</b>
At the time the original budget was prepared, the revaluation for infrastructure assets (roads, bridges and drainage) had not been completed. There was a significant increase in the value of these assets, which resulted in a higher than budgeted depreciation cost.				
<b>Impairment Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0% F</b>
<b>Other Expenses</b>	<b>10,866</b>	<b>8,923</b>	<b>1,943</b>	<b>18% F</b>
The under expenditure variance is attributed in part to lower than budget S88 Levies - \$0.8M. The remaining variance relates to staff time being budgeted to jobs.				
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0% F</b>
<b>Share of Net Losses - Joint Ventures &amp; Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0% F</b>
<b>Operating Result from Discontinued Operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0% F</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

## Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----	
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash Flows from Operating Activities</b>	<b>7,147</b>	<b>22,063</b>	<b>14,916</b>	<b>208.7% F</b>
Grants received during the year not included in the Original Budget.				
<b>Cash Flows from Investing Activities</b>	<b>(21,697)</b>	<b>(30,489)</b>	<b>(8,792)</b>	<b>40.5% U</b>
Expenditure in relation to Carry Overs from 2009/2010 budget are not included in the Original Budget.				
<b>Cash Flows from Financing Activities</b>	<b>-</b>	<b>(400)</b>	<b>(400)</b>	<b>0.0% U</b>

# Hawkesbury City Council

## Notes to the Financial Statements for the financial year ended 30 June 2011

### 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	436	-	-	26	-	-	462	20	(482)	-	-
Roads	494	-	-	30	-	-	524	20	(544)	-	-
Parking	614	-	-	37	-	-	651	30	(681)	-	-
Open Space	694	120	-	45	(61)	-	798	40	(838)	-	-
Community Facilities	1,307	150	-	87	-	-	1,544	70	(1,614)	-	-
Recreational Facilities	1,142	23	-	70	-	-	1,235	60	(1,295)	-	-
Bushfire	46	-	-	3	-	-	49	2	(51)	-	-
Extractive Industries	283	151	-	25	(13)	-	446	150	(596)	-	-
Other	-	36	-	2	-	-	38	-	(38)	-	-
<b>S94 Contributions - under a Plan</b>	<b>5,016</b>	<b>480</b>	<b>-</b>	<b>325</b>	<b>(74)</b>	<b>-</b>	<b>5,747</b>	<b>392</b>	<b>(6,139)</b>	<b>-</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>1,010</b>	<b>103</b>	<b>-</b>	<b>58</b>	<b>(142)</b>	<b>-</b>	<b>1,029</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>6,026</b>	<b>583</b>	<b>-</b>	<b>383</b>	<b>(216)</b>	<b>-</b>	<b>6,776</b>				<b>-</b>
S64 Contributions	445	55	-	-	(500)	-	-				
<b>Total Contributions</b>	<b>6,471</b>	<b>638</b>	<b>-</b>	<b>383</b>	<b>(716)</b>	<b>-</b>	<b>6,776</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Hawkesbury City Council

## Notes to the Financial Statements for the financial year ended 30 June 2011

### 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	436	-	-	26			462	20	(482)	-	-
Roads	494	-	-	30			524	20	(544)	-	-
Parking	614	-	-	37			651	30	(681)	-	-
Open Space	694	120		45	(61)		798	40	(838)	-	-
Community Facilities	1,307	150		87			1,544	70	(1,614)	-	-
Recreational Facilities	1,142	23		70			1,235	60	(1,295)	-	-
Bushfire	46	-		3			49	2	(51)	-	-
Extractive Industries	283	151		25	(13)		446	150	(596)	-	-
Other	-	36		2			38	-	(38)	-	-
<b>Total</b>	<b>5,016</b>	<b>480</b>	<b>-</b>	<b>325</b>	<b>(74)</b>	<b>-</b>	<b>5,747</b>	<b>392</b>	<b>(6,139)</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	1,010	103		58	(142)		1,029				
<b>Total</b>	<b>1,010</b>	<b>103</b>	<b>-</b>	<b>58</b>	<b>(142)</b>	<b>-</b>	<b>1,029</b>				

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Westpool

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

Council contributes to Westpool's operations and in return receives Public Liability & 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 **\$19.393M** of which Council's proportional share is **\$1.553M**.

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

###### (ii) Workers Compensation Claims

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

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

###### (iv) Other Guarantees

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

##### 2. Superannuation Schemes

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

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category and that member Councils will need to make significantly higher contributions from 2009/10 & 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 it's Defined Benefit Scheme obligations in accordance with AASB 119.

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

#### LIABILITIES NOT RECOGNISED (continued):

##### 3. Other Liabilities

###### (i) Third Party Claims

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

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

###### (ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

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

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

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

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

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

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

#### ASSETS NOT RECOGNISED:

##### (i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

##### (ii) Infringement Notices/Fines

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

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

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

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

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

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

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

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

#### Subsidiaries

**Note 19(a)**

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

#### Associated Entities & Joint Venture Entities

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

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

#### Joint Venture Operations

**Note 19(c)**

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved. (Council has no interest in joint venture operations)

#### Subsidiaries, Associated Entities and Joint Ventures Not Recognised

**Note 19(d)**

None

#### Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Balance Sheet.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Associated Entities	-	-	-	-
Joint Venture Entities	208	377	1,626	1,418
<b>Total</b>	<b>208</b>	<b>377</b>	<b>1,626</b>	<b>1,418</b>



# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

### 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	
			2011	2010
<b>Hawkesbury Sports Centre</b>	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	85	Assets		626
New Capital Contributions		Liabilities		(62)
Operating Result	171	<b>Net Equity</b>		<b>564</b>
Adjustment to Equity Share		Revenues		857
Distributions Paid		<b>Net Profit</b>		<b>171</b>
<b>Closing Equity Balance</b>	<b>256</b>	Minority Interest Share		
Minority Interest Share				

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000

## 19(b) Associated Entities &amp; Joint Venture Entities (continued)

## (a) Carrying Amounts

Name of Entity	Principal Activity	2011	2010
Westpool	Local Govt. Insurance pool	1,553	1,345
United Independent Pools	Local Govt. Insurance pool	73	73
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>1,626</b>	<b>1,418</b>

## (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2011	2010	2011	2010	2011	2010
Westpool	7%	8%	8%	8%	14%	14%
United Independent Pools	6%	6%	5%	6%	7%	7%

## (c) Movement in Carrying Amounts

	Westpool		United Independent Pools	
	2011	2010	2011	2010
Opening Balance	1,345	1,025	73	16
Share in Operating Result	208	320		57
<b>Councils Equity Share in the Joint Venture Entity</b>	<b>1,553</b>	<b>1,345</b>	<b>73</b>	<b>73</b>

## Hawkesbury City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2011

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

\$ '000

## 19(b) Associated Entities &amp; Joint Venture Entities (continued)

## (d) Share of Joint Ventures Assets &amp; Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2011</b>					
Westpool	2,685	3	169	966	<b>1,553</b>
United Independent Pools	296	-	152	71	<b>73</b>
<b>Totals</b>	<b>2,981</b>	<b>3</b>	<b>321</b>	<b>1,037</b>	<b>1,626</b>
<b>2010</b>					
Westpool	2,361	2	181	837	<b>1,345</b>
United Independent Pools	257	-	141	43	<b>73</b>
<b>Totals</b>	<b>2,618</b>	<b>2</b>	<b>322</b>	<b>880</b>	<b>1,418</b>

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

	2011			2010		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Westpool	620	412	<b>208</b>	572	252	<b>320</b>
United Independent Pools	395	395	-	353	296	<b>57</b>
<b>Totals</b>	<b>1,015</b>	<b>807</b>	<b>208</b>	<b>925</b>	<b>548</b>	<b>377</b>

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		325,088	346,101
a. Correction of Prior Period Errors	20 (c)	(44,969)	(43,013)
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		4,507	22,000
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
<b>Balance at End of the Reporting Period</b>		<b>298,133</b>	<b>325,088</b>

**b. Reserves****(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	483,728	362,131
- Other Reserves (Specify)	-	-
<b>Total</b>	<b>483,728</b>	<b>362,131</b>

**(ii). Reconciliation of movements in Reserves:****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- Opening Balance	362,131	135,864
- Revaluations for the year	121,719	226,267
- Adjustment to revaluation reserve	(122)	-
<b>- Balance at End of Year</b>	<b>483,728</b>	<b>362,131</b>

**TOTAL VALUE OF RESERVES**

<b>483,728</b>	<b>362,131</b>
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**(iii). Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

**"Available for Sale" Financial Investments Revaluation Reserve**

- The "Available for Sale" Financial Investments Revaluation Reserve is used to account for the Fair Value movements in all financial assets so classified that remain on hand at year end.

# Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

		Actual	Actual
\$ '000	Notes	2011	2010

#### c. Correction of Error/s relating to a Previous Reporting Period

##### Correction of errors as reported last year's financial statements.

Council revalued various asset classes for the 09/10 Year End:

This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).

As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/09 to reflect the correct value of accumulated depreciation;

- Roads, bridges & footpath Asset Class	(increase) to accumulated depreciation	(61,015)
- Storm Water Drainage Asset Class	(increase) to accumulated depreciation	(12,807)
- Sewer Network Asset Class	(increase) to accumulated depreciation	(1,095)
- Bulk Earthworks Asset Class	adjustment to retained earnings	31,904
		<u>(43,013)</u>

This adjustment resulted in a net (decrease) in Council's Accumulated Surplus as at 30/6/09.

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:			
As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.			
This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/10 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/10 to reflect the correct value of accumulated depreciation;			
Other structures (parks assets) Asset Class (increase) to accumulated 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>		<u>(44,969)</u>	

This adjustment resulted in net increase in Council's Accumulated Surplus as at 30/6/10.

**In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.**

## Hawkesbury City Council

# Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
d. Voluntary Changes in Accounting Policies			
Provide details of the Accounting Policy change are to be listed here:			
- 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>		<u>13,507</u>	-

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.

## Hawkesbury City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
<b>Continuing Operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>			
Rates & Annual Charges	-	3,994	33,644
User Charges & Fees	-	556	4,020
Interest & Investment Revenue	-	413	2,532
Other Revenues	-	8	3,526
Grants & Contributions provided for Operating Purposes	-	37	6,944
Grants & Contributions provided for Capital Purposes	-	6,215	6,051
<b>Other Income</b>			
Net Gains from Disposal of Assets	-	-	290
Share of interests in Joint Ventures & Associates using the Equity Method			208
<b>Total Income from Continuing Operations</b>	<b>-</b>	<b>11,223</b>	<b>57,215</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	-	474	20,907
Borrowing Costs	-	-	193
Materials & Contracts	-	1,581	15,242
Depreciation & Amortisation	-	2,541	13,701
Impairment	-	-	-
Other Expenses	-	1,583	7,340
Interest & Investment Losses	-	-	-
Unwinding of interest free loan	-	369	-
Net Losses from the Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method			-
<b>Total Expenses from Continuing Operations</b>	<b>-</b>	<b>6,548</b>	<b>57,383</b>
<b>Operating Result from Continuing Operations</b>	<b>-</b>	<b>4,675</b>	<b>(168)</b>
<b>Discontinued Operations</b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>-</b>	<b>4,675</b>	<b>(168)</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>-</b>	<b>4,675</b>	<b>(168)</b>
<b>Net Operating Result attributable to Minority Interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>-</b>	<b>(1,540)</b>	<b>(6,219)</b>

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

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



## Hawkesbury City Council

## Notes to the Financial Statements

as at 30 June 2011

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

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	-	7,285	1,015
Investments	-	-	35,700
Receivables	-	502	3,674
Inventories	-	-	189
Other	-	-	145
<b>Total Current Assets</b>	-	<b>7,787</b>	<b>40,723</b>
<b>Non-Current Assets</b>			
Receivables	-	-	1,184
Infrastructure, Property, Plant & Equipment	-	84,799	641,654
Investments Accounted for using the equity method	-	-	1,626
Investment Property	-	-	25,855
<b>Total Non-Current Assets</b>	-	<b>84,799</b>	<b>670,319</b>
<b>TOTAL ASSETS</b>	-	<b>92,586</b>	<b>711,042</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	-	123	5,959
Borrowings	-	-	382
Provisions	-	198	7,329
<b>Total Current Liabilities</b>	-	<b>321</b>	<b>13,670</b>
<b>Non-Current Liabilities</b>			
Borrowings	-	2,845	(382)
Provisions	-	16	5,297
<b>Total Non-Current Liabilities</b>	-	<b>2,861</b>	<b>4,915</b>
<b>TOTAL LIABILITIES</b>	-	<b>3,182</b>	<b>18,585</b>
<b>Net Assets</b>	-	<b>89,404</b>	<b>692,457</b>
<b>EQUITY</b>			
Retained Earnings	-	47,233	250,900
Revaluation Reserves	-	42,171	441,557
Council Equity Interest	-	89,404	692,457
Minority Interests	-	-	-
<b>Total Equity</b>	-	<b>89,404</b>	<b>692,457</b>

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

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

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011		2010	
	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

\$ '000

Events that occur after the reporting date of 30 June 2011, 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 11/10/11.

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 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2011

#### Note 24. Discontinued Operations

	Actual	Actual
\$ '000	2011	2010

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

#### Note 25. Intangible Assets

\$ '000
---------

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.

## Hawkesbury City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2011

#### 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	
		2011	2010
South Windsor Waste Depot	2017	1,318	973
East Kurrajong Waste Depot	2014	2,957	2,733
<b>Balance at End of the Reporting Period</b>	<b>10</b>	<b>4,275</b>	<b>3,706</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	3,706	3,329
Amounts capitalised to new or existing assets:		
- South Windsor Waste Depot	324	-
- East Kurrajong Waste Depot	41	-
Effect of a change in discount rates used in PV calculations	11	-
Effect of a change in other calculation estimates used		155
Amortisation of discount (expensed to borrowing costs)	193	222
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>4,275</b>	<b>3,706</b>

#### Amount of Expected Reimbursements

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

## Hawkesbury City Council

### Notes to the Financial Statements for the financial year ended 30 June 2011

#### Note 27. Council Information & Contact Details

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**Principal Place of Business:**

366 George Street  
Windsor NSW 2756

**Contact Details**
**Mailing Address:**

PO Box 146  
Windsor NSW 2756

**Opening Hours:**

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

**Telephone:** 02 4560 4444

**Facsimile:** 02 4587 7740

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

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

**Officers**
**GENERAL MANAGER**

Peter Jackson

**RESPONSIBLE ACCOUNTING OFFICER**

Emma Galea

**PUBLIC OFFICER**

Laurie Mifsud

**AUDITORS**

PricewaterhouseCoopers  
Darling Park Tower 2  
201 Sussex Street  
Sydney

**Elected Members**
**MAYOR**

Kim Ford

**COUNCILLORS**

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

**Other Information**

**ABN:** 54 659 038 834



**Hawkesbury City Council**  
**Independent Audit Report to the Council**  
**(Section 417(2) – report on the general purpose financial report)**

**Scope**

We have audited the financial report of **Hawkesbury City Council** for the financial year ended 30 June 2011 as set out on pages 1 to 84. The financial report consists of the general purpose financial report and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements, nor to the projections in Note 17, or to the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements and 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.

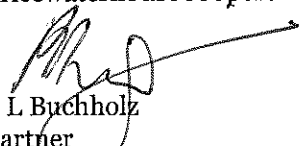
The audit opinion expressed in this report has been formed on the above basis.

**Audit 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.
- (b) The Council's financial report:
  - (i) has been properly prepared in accordance with the requirements of this Division
  - (ii) is consistent with the Council's accounting records
  - (iii) present fairly the Council's financial position and the results of its operations, and
  - (iv) is in accordance with applicable Accounting Standards.
- (c) All information relevant to the conduct of the audit has been obtained.
- (d) There are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

  
PricewaterhouseCoopers

  
P L Buchholz  
Partner

14 Oct 2011



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 2011 – Section 417(3)**

We have completed our audit of the financial reports of Hawkesbury Council for the year ended 30 June 2011 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 Accounting Standards and other mandatory professional reporting requirements 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.

**Operating Result**

Council's operating result declined from a surplus of \$22 million in the previous year to \$4.5 million in the current period. This was mainly due to lower capital grants and contributions received (down \$9 million) and higher depreciation (up \$5 million). The result before capital grants and contributions was a deficit of \$8 million compared to a surplus of \$757K in the previous year.

**Cash Position**

Council's overall cash position increased from \$41 million to \$45 million during the period under review. The following table highlights the composition of cash.

	June 2011 \$m	June 2010 \$m
Externally restricted	15.1	19.2
Internally restricted	17.3	18.8
Unrestricted	11.6	6.6
<b>Total</b>	<b>44.0</b>	<b>44.6</b>

**PricewaterhouseCoopers, ABN 52 780 433 757**

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

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

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### ***Working Capital***

Council's net current assets declined from \$37 million to \$34 million during the period under review.

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

	June 2011 \$'000	June 2010 \$'000
Net current assets	34,519	37,533
Less:		
External restrictions	15,067	19,226
Internal restrictions	17,316	18,782
	<u>2,136</u>	<u>(475)</u>
Add:		
Current liabilities to be funded from other sources	7,103	6,241
Available Working Capital	<u>9,239</u>	<u>5,766</u>

The effective unrestricted or available working capital upon which Council could build its 2011/12 budget was \$9.2 million.

### ***Performance Indicators***

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

	June 2011 %	June 2010 %
Unrestricted current ratio	426	435
Debt service ratio	.74	0
Rate coverage ratio	55	46
Rates outstanding ratio	7.1	6.4
Asset renewals ratio	49	68

The Unrestricted Current Ratio declined but remained significantly above the accepted industry benchmark of 100%.

Council's Debt Service Ratio was .74% and remains well below the accepted industry benchmark of 10%.

The Rate Coverage Ratio increased from 46% to 55% due to the significant decline in capital grants and contributions.

The Rates Outstanding Ratio increased to 7.1% of collectibles. This ratio is higher than the accepted industry benchmark of 5% and should be monitored.

The Asset Renewals Ratio indicates that infrastructure assets are being renewed at 49% 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.





**Revaluations**

Council revalued its community land, land improvements and other assets in accordance with the Division of Local Government's revaluation schedule. Following corrections of \$47 million, a revaluation of \$122 million was credited to the Asset Revaluation Reserve.


**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  
14 October 2011

# Hawkesbury City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2011

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





# Hawkesbury City Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2011

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
- Income Statement of Sewerage Business Activity	3
- Balance Sheet of Sewerage Business Activity	4
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor's Report</b>	12

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

# HAWKESBURY CITY COUNCIL

## Special Purpose Financial Statements FOR THE YEAR ENDED 30 June 2011

### 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:

- NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*.
- Department 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 Statements:

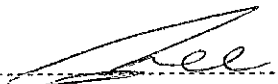
- Present fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

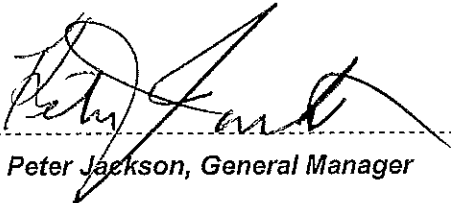
Signed in accordance with a resolution of Council made on 11 October 2011



Councillor Kim Ford, Mayor



Councillor Tiffany Tree, Deputy Mayor



Peter Jackson, General Manager



Emma Galea, Responsible Accounting Officer

## Hawkesbury City Council

# Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
<b>Income from continuing operations</b>			
Access charges	3,994	3,580	3,421
User charges	556	433	541
Interest free loan provided (fair valuation benefit)	-	1,124	-
Interest	413	241	51
Grants and contributions provided for non capital purposes	37	38	146
Profit from the sale of assets	-	5	177
Other income	8	59	35
<b>Total income from continuing operations</b>	<b>5,008</b>	<b>5,480</b>	<b>4,371</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	474	448	962
Borrowing costs	-	-	4
Materials and contracts	1,581	1,523	1,225
Depreciation and impairment	2,541	2,199	1,993
Loss on sale of assets	-	-	-
Unwinding of interest free loan	369	-	-
Calculated taxation equivalents	18	20	17
Other expenses	1,565	1,269	972
<b>Total expenses from continuing operations</b>	<b>6,548</b>	<b>5,459</b>	<b>5,173</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,540)</b>	<b>21</b>	<b>(802)</b>
Grants and contributions provided for capital purposes	6,215	11,086	1,007
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>4,675</b>	<b>11,107</b>	<b>205</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>4,675</b>	<b>11,107</b>	<b>205</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(6)	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,675</b>	<b>11,101</b>	<b>205</b>
plus Opening Retained Profits	44,014	32,907	32,702
plus/less: Prior Period Adjustments	(1,455)	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	-
- Corporate taxation equivalent	-	6	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
<b>Closing Retained Profits</b>	<b>47,234</b>	<b>44,014</b>	<b>32,907</b>
<b>Return on Capital %</b>	<b>-1.8%</b>	<b>0.0%</b>	<b>-1.3%</b>
<b>Subsidy from Council</b>	<b>5,958</b>	<b>3,910</b>	<b>4,221</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	4,675	11,101	205
less: Capital grants and contributions (excluding developer contributions)	(6,215)	(11,086)	(1,007)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>15</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>7</b>	<b>-</b>

## Hawkesbury City Council

## Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	7,285	8,319
Receivables	502	210
<b>Total Current Assets</b>	<b>7,787</b>	<b>8,529</b>
<b>Non-Current Assets</b>		
Infrastructure, property, plant and equipment	84,799	77,071
<b>Total non-Current Assets</b>	<b>84,799</b>	<b>77,071</b>
<b>TOTAL ASSETS</b>	<b>92,586</b>	<b>85,600</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	123	92
Non Interest bearing liabilities	-	376
Provisions	198	188
<b>Total Current Liabilities</b>	<b>321</b>	<b>656</b>
<b>Non-Current Liabilities</b>		
Non Interest bearing liabilities	2,845	2,500
Provisions	16	22
<b>Total Non-Current Liabilities</b>	<b>2,861</b>	<b>2,522</b>
<b>TOTAL LIABILITIES</b>	<b>3,182</b>	<b>3,178</b>
<b>NET ASSETS</b>	<b>89,404</b>	<b>82,422</b>
<b>EQUITY</b>		
Retained earnings	47,233	44,014
Revaluation reserves	42,171	38,408
Council equity interest	89,404	82,422
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>89,404</b>	<b>82,422</b>

## Hawkesbury City Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2011

#### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6
2	Sewerage Business Best Practice Management disclosure requirements	9



## Hawkesbury City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

#### 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.

#### 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 & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

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

#### Declared Business Activities

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

##### Category 1

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

##### a. Sewerage Service

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

##### b. 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**

#### 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

## Hawkesbury City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

#### Note 1. Significant Accounting Policies (continued)

this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

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

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

##### **Notional Rate Applied %**

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

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 Sewerage Business activities.

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

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

##### **Income Tax**

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

##### **Local Government Rates & Charges**

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

##### **Loan & 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**

## Hawkesbury City Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

#### Note 1. Significant Accounting Policies

---

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 5.21% at 30/6/11.

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

#### **(iv) Dividends**

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

Local Government Sewerage Businesses are permitted to pay an annual dividend from its 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 2011 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.

# Hawkesbury City Council

## Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2011

### Note 2. Sewerage Business Best Practice Management disclosure requirements

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

**2011**

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

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

(i)	Calculated Tax Equivalents	18,000
(ii)	No of assessments multiplied by \$3/assessment	23,481
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	18,000
(iv)	Amounts actually paid for Tax Equivalents	18,400

#### 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)	216,810
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	(2,327,300)

2011 Surplus	(1,540,000)	2010 Surplus	14,700	2009 Surplus	(802,000)
		2010 Dividend	-	2009 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]	NO
	Complying charges (a) Residential [Item 2(c) in Table 1]	NO
	(b) Non Residential [Item 2(c) in Table 1]	NO
	(c) Trade Waste [Item 2(d) in Table 1]	NO
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	NO
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	NO
(iii)	Complete Performance Reporting Form (by 15 September each year)	NO
(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 2011Note 2. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2011


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

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	10,442
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	84,568
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	3,619
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	7,790
<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)]	%	5.05%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

<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	10,441
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.35%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	7,790
<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)]	%	5.05%
<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 2011Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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

2011

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

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage)	%	-2.60%
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest Cover (Water & Sewerage)		> 100
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		4,282
	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:		- 412
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage)	\$'000	4,657
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage)	\$'000	37
	Grants for Pensioner Rebates (w11b + s12b)		

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



**Hawkesbury City Council  
Special Purpose Financial Report  
Independent Auditors' Report**

**Scope**

We have audited the special purpose financial report of **Hawkesbury City Council** for the year ended 30 June 2011, comprising the Statement by Council, Income Statements of Business Activities, Balance Sheets of Business Activities, and accompanying Notes to the Accounts. The financial report includes the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

The special purpose financial report has been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the report was prepared.

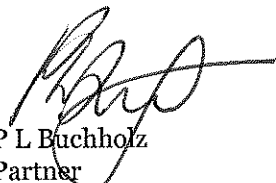
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is presented fairly in accordance with those Australian Accounting Standards adopted and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the results of their operations.

The audit opinion expressed in this report has been formed on the above basis.

**Audit opinion**

In our opinion, the special purpose financial report of **Hawkesbury City Council** is presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

  
PricewaterhouseCoopers

  
P L Buchholz  
Partner

*14 October 2011*

# Hawkesbury City Council

SPECIAL SCHEDULES

for the year ended 30 June 2011

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







# Hawkesbury City Council

## Special Schedules

for the financial year ended 30 June 2011

## Contents

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### Special Schedules<sup>1</sup>

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<sup>1</sup> Special Purpose Schedules are not audited.

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### 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.

## Hawkesbury City Council

# Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>809</b>	-	-	<b>(809)</b>
<b>Administration</b>	<b>3,321</b>	<b>3,326</b>	-	<b>5</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,871	469	10	<b>(1,392)</b>
Enforcement of Local Govt Regs	619	458	-	<b>(161)</b>
Animal Control	721	534	-	<b>(187)</b>
Other	125	58	-	<b>(67)</b>
<b>Total Public Order &amp; Safety</b>	<b>3,336</b>	<b>1,519</b>	<b>10</b>	<b>(1,807)</b>
<b>Health</b>	<b>605</b>	<b>400</b>	-	<b>(205)</b>
<b>Community Services and Education</b>				
Administration & Education	1,321	100	-	<b>(1,221)</b>
Social Protection (Welfare)	123	26	-	<b>(97)</b>
Aged Persons and Disabled	-	46	-	<b>46</b>
Childrens Services	8	16	-	<b>8</b>
<b>Total Community Services &amp; Education</b>	<b>1,452</b>	<b>188</b>	-	<b>(1,264)</b>
<b>Housing and Community Amenities</b>				
Town Planning	-	-	296	<b>296</b>
Other Community Amenities	14,240	11,422	-	<b>(2,818)</b>
<b>Total Housing and Community Amenities</b>	<b>14,240</b>	<b>11,422</b>	<b>296</b>	<b>(2,522)</b>
<b>Sewerage Services</b>	<b>6,390</b>	<b>4,852</b>	<b>6,215</b>	<b>4,677</b>

## Hawkesbury City Council

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

for the financial year ended 30 June 2011

\$'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	2,498	177	41	(2,280)
Museums	481	119	-	(362)
Art Galleries	641	54	-	(587)
Community Centres and Halls	2,575	-	211	(2,364)
Sporting Grounds and Venues	196	213	-	17
Swimming Pools	1,281	155	-	(1,126)
Parks & Gardens (Lakes)	4,643	242	-	(4,401)
Other Sport and Recreation	2,351	645	377	(1,329)
<b>Total Recreation and Culture</b>	<b>14,666</b>	<b>1,605</b>	<b>629</b>	<b>(12,432)</b>
<b>Fuel &amp; Energy</b>	<b>448</b>	<b>625</b>	<b>-</b>	<b>177</b>
<b>Mining, Manufacturing and Construction</b>				
Building Control	835	387	-	(448)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>835</b>	<b>387</b>	<b>-</b>	<b>(448)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	9,252	3,538	3,248	(2,466)
Parking Areas	157	-	-	(157)
Other Transport & Communication	5,342	-	-	(5,342)
<b>Total Transport and Communication</b>	<b>14,751</b>	<b>3,538</b>	<b>3,248</b>	<b>(7,965)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	234	6	(2)	(230)
Other Economic Affairs	1,509	1,853	-	344
<b>Total Economic Affairs</b>	<b>1,743</b>	<b>1,859</b>	<b>(2)</b>	<b>114</b>
<b>Totals – Functions</b>	<b>62,596</b>	<b>29,721</b>	<b>10,396</b>	<b>(22,479)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>	<b>1,335</b>	<b>28,113</b>		<b>26,778</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>208</b>		<b>208</b>
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>63,931</b>	<b>58,042</b>	<b>10,396</b>	<b>4,507</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)

## Hawkesbury City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)  
for the financial year ended 30 June 2011

\$'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>											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	4,000	4,000		400			-	400	3,200	3,600
Public Subscription	-	-	-							-	-
Financial Institutions	-	-	-							-	-
Other	-	-	-							-	-
<b>Total Loans</b>	-	4,000	4,000	-	400	-	-	-	400	3,200	3,600
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
<b>Total Long Term Debt</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total Debt</b>	-	4,000	4,000	-	400	-	-	-	400	3,200	3,600

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

## 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 2011

\$'000	Actuals 2011	Actuals 2010
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	821	800
b. Engineering and Supervision	653	648
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	(151)	110
b. Maintenance expenses	274	210
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	-	-
e. Maintenance expenses	436	314
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	1,225	924
g. Chemical costs	-	-
h. Energy costs	-	-
i. Effluent Management	338	244
j. Biosolids Management	-	-
k. Maintenance expenses	18	20
<b>- Other</b>		
l. Operation expenses	5	5
m. Maintenance expenses	-	-
<b>3. Depreciation expenses</b>		
a. System assets	2,494	2,167
b. Plant and equipment	47	31
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	18	20
<b>5. Total expenses</b>	<b>6,178</b>	<b>5,493</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 2011

\$'000	Actuals 2011	Actuals 2010
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	3,192	2,868
<b>7. Non-residential charges</b>		
a. Access (including rates)	23	20
b. Usage charges	779	692
<b>8. Trade Waste Charges</b>		
a. Annual Fees	354	235
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	1	17
<b>10. Interest income</b>	412	224
<b>11. Other income</b>	(159)	1,415
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	37	35
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	55	-
b. Developer provided assets	-	10,387
c. Other contributions	6,160	702
<b>14. Total income</b>	<b>10,854</b>	<b>16,595</b>
<b>15. Gain or loss on disposal of assets</b>	(1)	5
<b>16. Operating Result</b>	<b>4,675</b>	<b>11,107</b>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	4,675	11,107

## 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 2011

\$'000	Actuals 2011	Actuals 2010
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	5,329	-
b. New Assets for Growth	2,273	-
c. Renewals	186	11,265
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>	<b>7,790</b>	<b>11,265</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	21
<b>22. Borrowing utilised</b>		
a. Loans	-	4,000
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>-</b>	<b>4,021</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	6,791	6,718
b. Residential (unoccupied, ie. vacant lot)	110	128
c. Non-residential (occupied)	865	801
d. Non-residential (unoccupied, ie. vacant lot)	61	64
<b>26. Number of ETs for which developer charges were received</b>	40 ET	40 ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 156,020	\$ 128,545



## Hawkesbury City Council

# Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox" value="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" value="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>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox" value="NO"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2010/11 (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" value="-"/>

\* 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 **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Hawkesbury City Council

## Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	(1,782)	-	(1,782)
b. Special purpose grants	-	1,753	1,753
c. Accrued leave	-	-	-
d. Unexpended loans	43	-	43
e. Sinking fund	-	-	-
f. Other	(336)	5,488	5,152
<b>32. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and charges	264	-	264
c. Other	239	-	239
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	84,568	84,568
b. Plant and equipment	-	231	231
<b>35. Other assets</b>	-	2,118	2,118
<b>36. Total Assets</b>	<b>(1,572)</b>	<b>94,158</b>	<b>92,586</b>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	123	-	123
<b>39. Borrowings</b>			
a. Loans	382	2,463	2,845
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	198	16	214
<b>41. Total Liabilities</b>	<b>703</b>	<b>2,479</b>	<b>3,182</b>
<b>42. NET ASSETS COMMITTED EQUITY</b>	<b>(2,275)</b>	<b>91,679</b>	<b>89,404</b>
<b>42. Accumulated surplus</b>			47,233
<b>44. Asset revaluation reserve</b>			42,171
<b>45. TOTAL EQUITY</b>			<b>89,404</b>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			149,259
<b>47. Accumulated current cost</b> depreciation of system assets			(64,691)
<b>48. Written down current cost</b> of system assets			84,568

# Hawkesbury City Council

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

for the financial year ended 30 June 2011

### 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:

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

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

## Special Schedule No. 7 - Condition of Public Works

as at 30 June 2011

\$'000

		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
ASSET CLASS	Asset Category	per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>	<<<<<<<<<< per Section 428(2d) >>>>>>>>>						
Buildings	Council Offices	1 - 2%	308	10,838	-	4,646	6,192	3	1,155	138	193
	Council Works Depot	1 . 2%	67	2,286	-	1,072	1,214	3	204	107	6
	Council Halls	1 - 2%	532	18,199	-	6,229	11,970	3	961	465	283
	Council Houses	1 - 2%	103	3,442	-	2,530	912	4	61	39	199
	Museum	1 - 2%	92	3,145	-	926	2,219	1	-	39	14
	Library	1 - 2%	346	11,915	-	2,970	8,945	2	-	88	66
	Childcare Centre(s)	1 - 2%	316	10,819	-	4,616	6,203	2		72	83
	Art Gallery				-		-	2	462	61	14
	Amenities/Toilets	1 - 2%	583	19,635	-	7,497	12,138	3	721	138	157
	Leisure Facilities	1 - 2%	536	18,295	-	5,721	12,574	3	688	171	75
	Other		542	18,508	-	8,777	9,731				
	sub total		3,425	117,082	-	44,984	72,098		4,252	1,318	1,090
Other Structures	Assets not included in Buildings		381		94,596	51,119	43,477				
	sub total		381	-	94,596	51,119	43,477		-	-	-

## Special Schedule No. 7 - Condition of Public Works (continued)

as at 30 June 2011

ASSET CLASS		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
ASSET CATEGORY		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>	<<<<<<<<<< per Section 428(2d) >>>>>>>>>>						
Public Roads	Sealed Roads	1.00%	1,908	69,131	-	34,892	34,239	3-5	32,505	4,500	4,116
	Unsealed Roads	1.00%	107	25,613	-	6,517	19,096	3-5	15,840	3,500	1,227
	Sealed Roads Structure		1,602	303,980	-	154,376	149,604	1-3	308	61	
	Bridges	1.00%	474	36,192	-	15,243	20,949	1-6	6,450	355	150
	Footpaths	2.00%	144	10,068	-	5,857	4,211	3-5	1,200	122	117
	Cycle ways	2.00%	250	5,139	-	2,104	3,035	3	221	72	
	Kerb and Gutter	1.00%	683	47,754	-	21,248	26,506	3-6	8,500	900	245
	Road Furniture	1 - 10%	217	7,160	-	3,321	3,839	3-5	1,810	311	135
	Car Parks	1.00%	204	8,650	-	3,410	5,240				
	sub total		5,589	513,687	-	246,968	266,719		66,834	9,821	5,990
Sewerage											
	Pump Stations	1.00%	297	16,405		5,628	10,777	3	450	229	229
	Reticulation	2.00%	1,044	59,556		28,956	30,600	3-4	4,100	107	107
	Manholes	1.00%	297	17,477		9,862	7,615	3	2,000	30	30
	Mains	1 - 1.43%	155	8,839		4,230	4,609	3-4	100	5	5
	Treatment Works	1 - 1.43%	680	38,779		18,013	20,766	3-4	600	1,100	1,100
	Plant	20.00%					-	5	100	67	67
	sub total		2,473	141,056	-	66,689	74,367		7,350	1,538	1,538

Hawkesbury City Council

## Special Schedule No. 7 - Condition of Public Works (continued)

as at 30 June 2011

\$'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
		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>							
<b>Drainage Works</b>	Retarding Basins						-	3-4	180	35	
	Stormwater Conduits	1 - 1.67%	1,127	130,035	-	63,782	66,253	3-4	1,550	200	75
	Inlet and Junction Pits	1 - 1.67%					-	3-4	95	29	
	Head Walls	1 - 1.67%	321	19,443	-	9,795	9,648				
	Stormwater Converters						-	3-4	35	12	
	Gross Pollutant Traps	1 - 1.67%	37	1,871	-	275	1,596	3	40	60	62
	Flood Mitigation		72	4,310	-	2,208	2,102	3-4	300	22	22
	<b>sub total</b>		<b>1,557</b>	<b>155,659</b>	<b>-</b>	<b>76,060</b>	<b>79,599</b>		<b>2,200</b>	<b>358</b>	<b>159</b>
	<b>TOTAL - ALL ASSETS</b>		<b>13,425</b>	<b>927,484</b>	<b>94,596</b>	<b>485,820</b>	<b>536,260</b>		<b>80,636</b>	<b>13,035</b>	<b>8,777</b>

**Notes:**

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

**# Asset Condition "Key" - as per NSW Local Government Asset Accounting Manual:**

1	2	3	4
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## Newly Constructed

**Maintained in "as new" condition**

**Good Condition**

## Average Condition

5	6	7	8
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## Deterioration Evident

## Requires Major Reconstruction

## Asset Unserviceable

## Hawkesbury City Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual <sup>(1)</sup> 10/11	Forecast 11/12	Forecast 12/13	Forecast <sup>(3)</sup> 13/14	Forecast <sup>(3)</sup> 14/15
<b>(i) RECURRENT BUDGET</b>					
Income from continuing operations	68,438	58,056	59,191	61,667	64,289
Expenses from continuing operations	63,931	67,137	66,696	71,283	74,152
<b>Operating Result from Continuing Operations</b>	<b>4,507</b>	<b>(9,081)</b>	<b>(7,505)</b>	<b>(9,616)</b>	<b>(9,863)</b>
<b>(ii) CAPITAL BUDGET</b>					
Capital New, Replace/Refurbish of Existing Assets	24,896	9,970	14,712	13,516	13,862
<b>Total Capital Budget</b>	<b>24,896</b>	<b>9,970</b>	<b>14,712</b>	<b>13,516</b>	<b>13,862</b>
<b>Funded by:</b>					
– Loans	-	-	-	-	-
– Asset sales	955	1,072	840	1,091	1,000
– Reserves	3,437	(2,756)	-	-	-
– Grants/Contributions	17,379	8,786	8,112	8,134	8,200
– Recurrent revenue	3,125	2,868	5,760	4,291	4,662
– Other	-	-	-	-	-
	<b>24,896</b>	<b>9,970</b>	<b>14,712</b>	<b>13,516</b>	<b>13,862</b>

**Notes:**

(1) From 10/11 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.