

HAWKESBURY CITY COUNCIL

FINANCIAL STATEMENTS

for the year ended 30 June 2016

General Purpose
Special Purpose
Special Schedules



SHAPING OUR FUTURE



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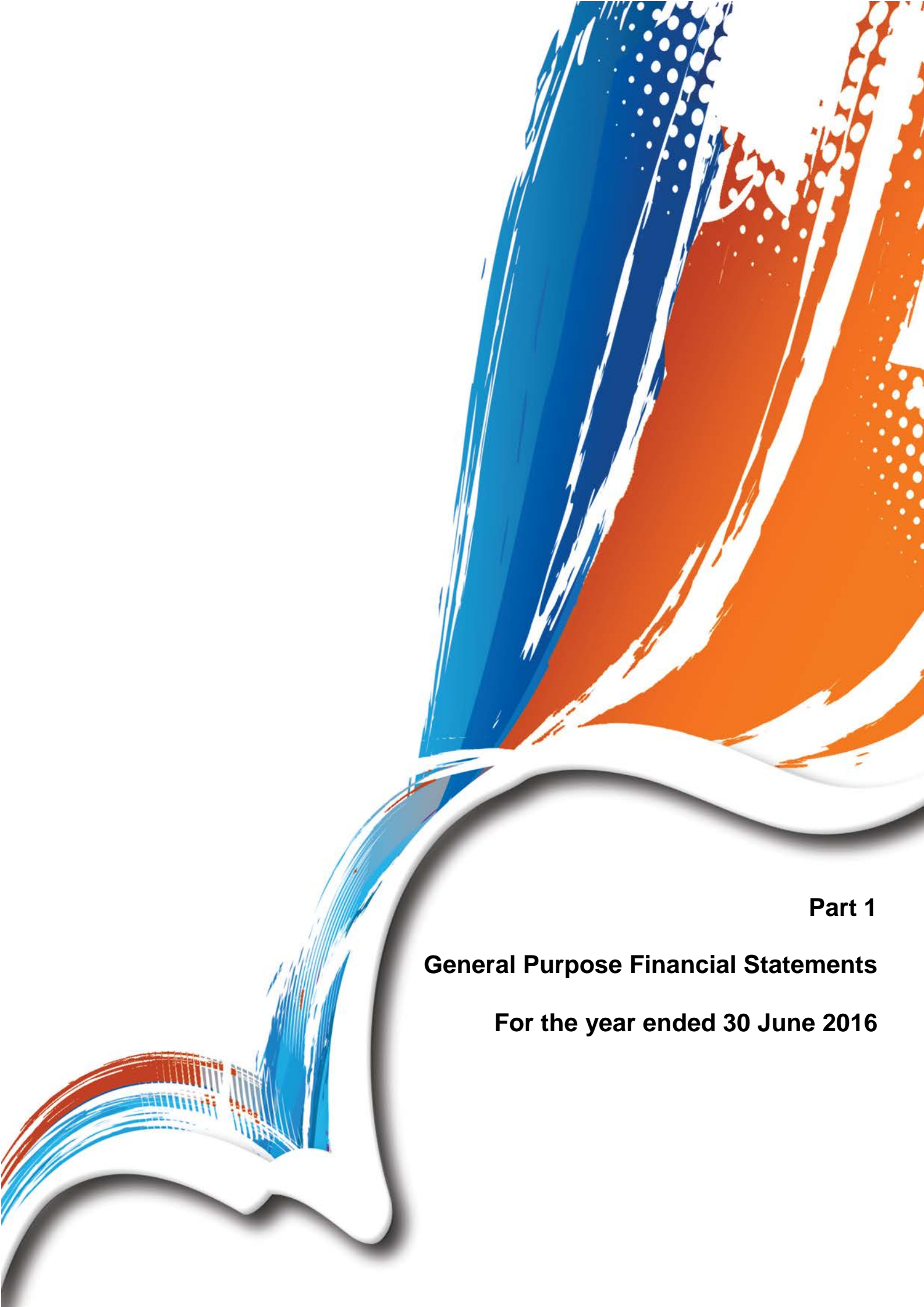
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Table of Contents

Part 1	General Purpose Financial Statements for the year ended 30 June 2016	1
Part 2	Special Purpose Financial Statements	93
Part 3	Special Schedules.....	109



Part 1

General Purpose Financial Statements

For the year ended 30 June 2016

Contents

Part 1	General Purpose Financial Statements for the year ended 30 June 2016	1
	Understanding Council's Financial Statements	3
	Statement by Councillors and Management	4
	Primary Financial Statements	5
	Income Statement	5
	Statement of Comprehensive Income	6
	Statement of Financial Position	7
	Statement of Changes in Equity	8
	Statement of Cash Flows	9
	Notes to the Financial Statements	10
	Independent Auditors Report to the Council - Report on the General Purpose Financial Statements.	87
	Report on the conduct of the Audit for year ended 30 June 2016 - Section 417(3)	89

Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 13 October 2016. Council has the power to amend and reissue these financial statements.

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities and "Net Wealth".

4. The Statement of Changes in Equity

This statement shows the overall change for the year (in dollars) of Council's "Net Wealth".

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides two audit reports:

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

Who uses the Financial Statements?

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

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

Council is required to forward an audited set of financial statements to the OLG.

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

Statement by Councillors and Management
made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

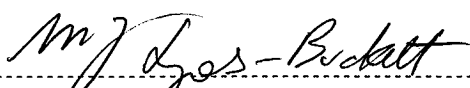
- The Local Government Act 1993 (as amended) and the Regulation made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

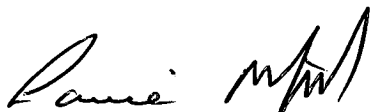
Signed in accordance with a resolution of Council made on 11 October 2016.



Councillor Mary Lyons-Buckett, Mayor



Councillor Barry Calvert, Deputy Mayor



Laurie Mifsud, Acting General Manager



Emma Galea, Responsible Accounting Officer

Income Statement

for the financial year ended 30 June 2016

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

¹ Original Budget as approved by Council - refer Note 16

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

Statement of Comprehensive Income

for the financial year ended 30 June 2016

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

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

Statement of Financial Position

as at 30 June 2016

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

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

Statement of Changes in Equity

for the financial year ended 30 June 2016

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

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

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

Statement of Cash Flows

for the financial year ended 30 June 2016

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

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

Notes to the Financial Statements

For the year ended 30 June 2016

Contents of the Notes accompanying the Financial Statements

Note 1. Summary of Significant Accounting Policies	11
Note 2(a). Council Functions Activities - Financial Information	29
Note 2(b). Council Functions / Activities - Component Descriptions	30
Note 3. Income from Continuing Operations.....	31
Note 4. Expenses from Continuing Operations.....	36
Note 5. Gains or Losses from Disposal of Assets.....	40
Note 6a. - Cash Assets and Note 6b. - Investments.....	41
Note 6c. Restricted Cash, Cash Equivalents and Investments - Details	42
Note 7. Receivables	44
Note 8. Inventories and Other Assets	45
Note 9a. Infrastructure, Property, Plant & Equipment.....	46
Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment	47
Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments	48
Note 10a. Payables, Borrowings and Provisions.....	49
Note 10b. Description of and Movements in Provisions	50
Note 11. Statement of Cash Flows - Additional Information	51
Note 12. Commitments for Expenditure	53
Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated).....	54
Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated).....	55
Note 13b. Statement of Performance Measurement - Indicators (by Fund).....	57
Note 14. Investment Properties	58
Note 15. Financial Risk Management	59
Note 16. Material Budget Variations	63
Note 17. Statement of Developer Contributions	65
Note 18. Contingencies and Other Assets/Liabilities Not Recognised	67
Note 19. Interests in Other Entities	69
Note 20. Equity - Retained Earnings and Revaluation Reserves	74
Note 21. Financial Result & Financial Position by Fund	76
Note 22. Held for Sale Non-Current Assets & Disposal Groups.....	78
Note 23. Events occurring after the Reporting Date	78
Note 24. Discontinued Operations	78
Note 25. Intangible Assets	79
Note 26. Reinstatement, Rehabilitation & Restoration Liabilities.....	80
Note 27. Fair Value Measurement	81
Note 28. Council Information and Contact Details	86

Notes to the Financial Statements

For the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

A. Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

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

B. Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Dividend Income

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

Other Income

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

C. Principles of Consolidation

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

(i) The Consolidated Fund

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

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

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

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

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

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

(ii) The Trust Fund

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

These funds must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

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

(iii) Interests in Other Entities

Subsidiaries

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

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

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

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

All controlled entities have a June financial year end.

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

Joint Arrangements

Council has no interest in any joint arrangements.

Joint Ventures

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

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

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

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

Associates

Council has no interest in any Associates.

County Councils

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

- Hawkesbury River County Council

Control of noxious weeds, incorporating four member councils

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

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

Unconsolidated Structured Entities

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

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

D. Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

E. Cash and Cash Equivalents

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

- cash on hand,
- deposits held at call with financial institutions,

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

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

F. Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

(iii) Impairment

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

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

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

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

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

(iv) Types of Investments

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

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

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

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

G. Fair value estimation – Financial Instruments

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

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

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

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

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

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

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

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

H. Receivables

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

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

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

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

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

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

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

I. Inventories

Inventory held for distribution

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

Land held for resale / capitalisation of borrowing costs

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

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

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

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

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

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

Acquisition of assets

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

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

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

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

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

Capitalisation Thresholds

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

Land

- Council land 100% Capitalised
- Open space 100% Capitalised
- Land under roads 100% Capitalised
(purchases after 30/06/08)

Plant and Equipment

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

Buildings and Land Improvements

- | | |
|------------------------------|-----------|
| Park Furniture and Equipment | > \$1,000 |
|------------------------------|-----------|

Building

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

- | | |
|------------------|-----------|
| Other Structures | > \$1,000 |
|------------------|-----------|

Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Other Infrastructure Assets

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

-
- | | |
|----------------------|-----------|
| Other Infrastructure | > \$1,000 |
|----------------------|-----------|

Depreciation

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

Land is not depreciated.

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

Plant and Equipment

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

Buildings

- | | |
|-------------|-----------------|
| - Buildings | 50 to 100 years |
|-------------|-----------------|

Stormwater Drainage

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

Transportation Assets

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

Sewer Assets

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

Other Infrastructure Assets

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

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

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

Disposal and De-recognition

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

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

K. Land

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

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

L. Land under roads

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

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

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

M. Intangible Assets

IT Development and Software

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

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

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

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

N. Crown Reserves

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

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

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

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

O. Rural Fire Service assets

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

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

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

P. Investment property

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30 June 2016.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

These costs are charged to the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

S. Impairment of assets

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

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

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

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

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

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

T. Payables

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

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

U. Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

V. Borrowing costs

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

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

W. Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

X. Employee benefits

(i) Short Term Obligations

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

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 24 February 2016 and covers the period ended 30 June 2015.

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

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

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

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$562,894 as at 30 June 2016.

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

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

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

Defined Contribution Plans

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

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2016.

Y. Self-insurance

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

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

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

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

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

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

Exceptions

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

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

AA Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

AB New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AC Rounding of amounts

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

AD Comparative Figures

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

AE Disclaimer

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

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

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

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



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

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

Governance

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

Looking After People and Place

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

Caring For Our Environment

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

Linking the Hawkesbury

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

Supporting Business And Local Jobs

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

Shaping Our Future Together

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

Note 3. Income from Continuing Operations

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

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

Note 3. Income from Continuing Operations (continued)

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

Note 3. Income from Continuing Operations (continued)

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

Note 3. Income from Continuing Operations (continued)

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

Note 3. Income from Continuing Operations (continued)

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

Note 4. Expenses from Continuing Operations

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

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

Note 4. Expenses from Continuing Operations (continued)

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

Note 4. Expenses from Continuing Operations (continued)

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

Note 4. Expenses from Continuing Operations (continued)

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

Note 5. Gains or Losses from the Disposal of Assets

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

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

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

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		5,233	-	7,002	-
--	--	--------------	----------	--------------	----------

Investments

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

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

Note 6(b-i)

**Reconciliation of Investments classified as
"At Fair Value through the Profit & Loss"**

Nil

Note 6(b-ii)

**Reconciliation of Investments
classified as "Held to Maturity"**

Balance at the Beginning of the Year	38,800	-	37,000	-
Additions	62,300	-	67,300	-
Disposals (sales & redemptions)	(62,300)	-	(65,500)	-
Balance at End of Year	38,800	-	38,800	-

Comprising:

- Long Term Deposits	38,800	-	38,800	-
Total	38,800	-	38,800	-

Note 6(b-iii)

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

Nil

Note 6(b-iv)

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

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

2016 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans- LIRS	2,357	-	(410)	1,947
External Restrictions - Included in Liabilities	2,357	-	(410)	1,947

External Restrictions - Other

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

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

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

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,709	855	1,652	791
Interest & Extra Charges		97	106	116	94
User Charges & Fees		2,307	90	1,683	40
Private Works		(13)	-	-	-
Accrued Revenues					
- Interest on Investments		449	-	587	-
Government Grants & Subsidies		1,516	-	206	-
Net GST Receivable		651	-	367	-
Total		6,716	1,051	4,611	925
less: Provision for Impairment					
User Charges & Fees		(117)	-	(94)	-
Total Provision for Impairment - Receivables		(117)	-	(94)	-
<u>TOTAL NET RECEIVABLES</u>		<u>6,599</u>	<u>1,051</u>	<u>4,517</u>	<u>925</u>
Externally Restricted Receivables					
Sewerage Services					
- Rates & Availability Charges		409	-	259	-
Domestic Waste Management		578	-	540	-
Total External Restrictions		987	-	799	-
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		5,612	1,051	3,718	925
TOTAL NET RECEIVABLES		6,599	1,051	4,517	925

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2015 8.50%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Note 8. Inventories & Other Assets

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

Note 9a. Infrastructure, Property, Plant & Equipment

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

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

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

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

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



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

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

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2016		2015	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,263	-	5,036	-
Accrued Expenses		910	-	837	-
Security Bonds, Deposits & Retentions		2,794	-	3,043	-
Total Payables		7,967	-	8,916	-
Borrowings					
Loans - Secured ¹		400	970	400	1,262
Other Loan		450	3,536	425	4,010
Total Borrowings		850	4,506	825	5,272
Provisions					
Employee Benefits;					
Annual Leave		2,270	-	2,179	-
Sick Leave		615	-	655	-
Long Service Leave		5,541	857	5,353	758
Leave in Lieu		303	-	252	-
Sub Total - Aggregate Employee Benefits		8,729	857	8,439	758
Self Insurance - Workers Compensation		83	528	75	265
Asset Remediation/Restoration (Future Works)	26	-	1,529	-	2,717
Total Provisions		8,812	2,914	8,514	3,740
Total Payables, Borrowings & Provisions		17,629	7,420	18,255	9,012

(i) Liabilities relating to Restricted Assets

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

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

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

	Actual 2016	Actual 2015
Provisions - Employees Benefits	6,081	5,897
Payables - Security Bonds, Deposits & Retentions	236	1,054
	6,317	6,951

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

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

Note 10b. Description of and movements in Provisions

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

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

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	5,233	7,002
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		5,233	7,002
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		6,312	38,156
Adjust for non cash items:			
Depreciation & Amortisation		18,455	14,651
Net Losses/(Gains) on Disposal of Assets		245	9
Non Cash Capital Grants and Contributions		(10,642)	(25,070)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		5,148	(12,091)
- Unwinding of Interest Free Loan		108	126
Unwinding of Discount Rates on Reinstatement Provisions		45	43
Share of Net (Profits) or Losses of Associates/Joint Ventures		(176)	(343)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(2,231)	1,016
Increase/(decrease) in provision for doubtful debts		23	
Decrease/(Increase) in Inventories		(92)	(29)
Decrease/(Increase) in Other Assets		(98)	(35)
Increase/(Decrease) in Payables		(773)	1,257
Increase/(Decrease) in Other Accrued Expenses Payable		73	-
Increase/(Decrease) in Other Liabilities		(249)	1,282
Increase/(Decrease) in Employee Leave Entitlements		389	895
Increase/(Decrease) in Other Provisions		(1,193)	(943)
NET CASH PROVIDED FROM/(USED IN)		15,344	18,924
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		15,344	18,924

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

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

(d) Financing Arrangements

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

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

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

(ii) Secured Loan Liabilities

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

(e) Bank Guarantees

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

(f) Net Cash Flows Attributable to Discontinued Operations

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

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		1,675	56
Property, Plant & Equipment		228	2,450
Total Commitments		1,903	2,506
These expenditures are payable as follows:			
Within the next year		1,697	2,506
Later than one year and not later than 5 years		201	
Later than 5 years		5	
Total Payable		1,903	2,506
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		1,009	708
Unexpended Grants		-	297
Externally Restricted Reserves		9	1,116
Internally Restricted Reserves		885	385
Total Sources of Funding		1,903	2,506

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

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

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

b. Non Cancellable Operating Leases include the following assets:

Office Rentals

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

Conditions relating to Operating Leases:

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

(d) Investment Property Commitments

Nil

(e) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to investments in Joint Operations, refer to Note 19 (c)

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

\$ '000	Amounts 2016	Indicator 2016	Prior Periods	
			2015	2014
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(6,865)	-10.16%	-6.88%	-11.53%
Total continuing operating revenue ⁽¹⁾	67,556			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(less ALL Grants & Contributions)	60,523	70.51%	60.40%	69.10%
Total continuing operating revenue ⁽¹⁾	85,842			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	43,182	4.23	3.56	3.88
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	10,214			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	11,988	9.61	8.44	5.78
Principal Repayments (from the Statement of Cash Flows)	1,247			
+ Borrowing Interest Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	2,767	5.44%	5.52%	5.82%
Rates, Annual and Extra Charges Collectible	50,899			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	44,033	8.40	9.52	9.02
Payments from cash flow of operating and financing activities	5,245			

Notes

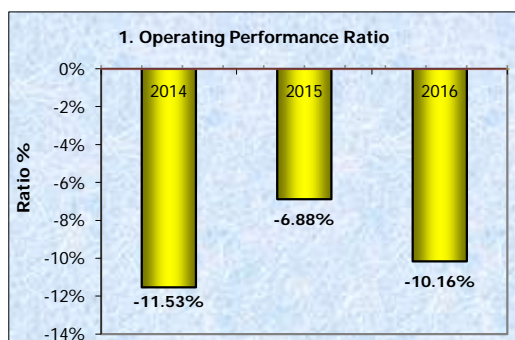
⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.

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

⁽³⁾ Refer to Note 10(a).

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

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



Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

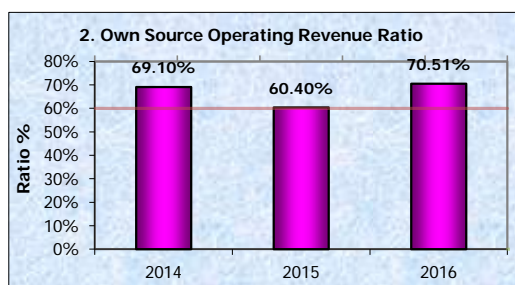
Purpose of Operating Performance Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio -10.16%

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



Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

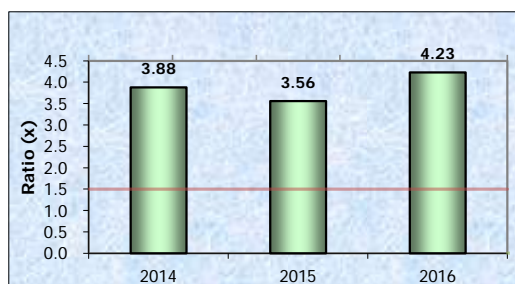
Purpose of Own Source Operating Revenue Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 70.51%

Ratio increased due to a 58% decrease in dedication of assets from developer contributions, as a result of the slowing of the Pitt Town development.
Ratio is better than benchmark.



Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Unrestricted Current Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 4.23x

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

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



— Minimum 2.00%

Source for Benchmark: NSW Treasury Corporation

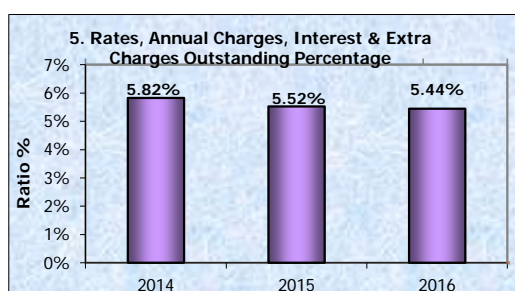
Purpose of Debt Service Cover Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 9.61x

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



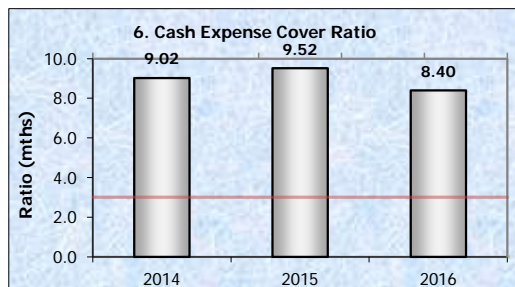
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 5.44%

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



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 8.40 months

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

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

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

Notes

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

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

Note 14. Investment Properties

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

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

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

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

Fair Value is determined as follows:

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

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The risks associated with the investments held are:

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in Interest Rates	440	440	(440)	(440)
2015				
Possible impact of a 1% movement in Interest Rates	458	458	(458)	(458)

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

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

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

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

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

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

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

Note 16. Material Budget Variations

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

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	47,371	47,870	499	1%	F
User Charges & Fees	5,637	6,642	1,005	18%	F
Income from the Hawkesbury Sport Council (HSC) was not included in the Original Budget. Sewer Trade Waste Income was higher than projected as a result of a large mass volumes charge levied. Commercial Sullage was also higher than projected, due to a greater volumes collected.					
Interest & Investment Revenue	1,153	1,568	415	36%	F
Investment revenue is more than the Original Budget due to higher level of funds invested than budgeted.					
Other Revenues	4,206	4,443	237	6%	F
Operating Grants & Contributions	6,849	7,033	184	3%	F
Capital Grants & Contributions	2,309	18,286	15,977	692%	F
Only known grants are budgeted for in the Original Budget. Non cash asset dedications are also not included in the Original Budget.					
Share of Net Profits - Joint Ventures & Associates	-	284	284	n/a	F
Share of profits from joint ventures and associates unknown at time of formulating the Original Budget.					

Note 16. Material Budget Variations (continued)

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

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

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

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - HAWKESBURY CITY

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

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	Cumulative Internal Borrowings
		Cash	Non Cash					
Other	649	701	-	57	(264)	-	1,142	1,170
Total	649	701	-	57	(264)	-	1,142	-

Note 18. Contingencies and Other Assets/Liabilities Not Recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Westpool

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

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

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

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

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

(ii) Workers Compensation Claims

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

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

(iii) Other Guarantees

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

2. Superannuation Schemes

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category and that member Councils will need to make significantly higher contributions from 2009/2010 and beyond.

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

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

3. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

iv) Prosecution Costs Relating to Sewerage Incident

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30 June 2008.

(ii) Infringement Notices/Fines

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

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

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

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

Note 19. Interests in Other Entities

\$ '000

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

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

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

Controlled Entities (Subsidiaries)

Note 19(a)

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

Joint Ventures & Associates

Note 19(b)

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

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

Joint Venture Operations

Note 19(c)

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

Unconsolidated Structured Entities

Note 19(d)

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

Subsidiaries, Joint Arrangements and Associates not recognised

Note 19(e)

Accounting Recognition:

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

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

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint Ventures	284	343	2,538	2,362
Total	284	343	2,538	2,362

Note 19. Interests in Other Entities (continued)

\$ '000

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

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

Name of Operation/Entity	Principal Activity
1. Hawkesbury Sports Council	Sports & Sporting Recreation 135 Windsor Street, RICHMOND NSW 2753

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

The nature and extent of significant restrictions relating to the Subsidiary

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

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

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

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

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

Other disclosures

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

Summarised Financial Information for the Subsidiary

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

Summarised Statement of Financial Position		2016	2015
Current Assets		790	620
Non Current Assets		104	104
Total Assets		894	724

Note 19. Interests in Other Entities (continued)

\$ '000

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

Summarised Statement of Financial Position (continued)

	2016	2015
Current Liabilities	77	58
Non Current Liabilities	-	-
Total Liabilities	77	58
Net Assets ⁽²⁾	817	666
⁽²⁾ Non-controlling Interest Share	-	-

(b) Joint Ventures and Associates

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

(a) Net Carrying Amounts - Council's Share

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

(b) Details

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

(c) Relevant Interests & Fair Values

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

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Joint Ventures and Associates (continued)

(d) Summarised Financial Information for Joint Ventures & Associates

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

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Joint Ventures and Associates (continued)

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

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

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

(c) Joint Operations

Council has no interest in any Joint Operations.

(d) Unconsolidated Structured Entities

Council did not consolidate the following Structured Entities:

1. Hawkesbury River County Council (HRCC)

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

Nature of Risks relating to the Unconsolidated Structured Entity

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

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

Current Intention to provide financial support

Council currently intends to continue providing financial contributions to HRCC.

2. Western Sydney Regional Organisation of Councils (WSROC)

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

Nature of Risks relating to the Unconsolidated Structured Entity

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

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

Current Intention to provide financial support

Council currently intends to continue providing financial contributions to WSROC.

(e) Subsidiaries, Joint Arrangements & Associates not recognised

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		446,795	332,048
a. Correction of Prior Period Errors	20 (c)	(1,895)	76,469
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		6,312	38,156
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		151	122
g. Joint Ventures and associates		(109)	-
Balance at End of the Reporting Period		451,255	446,795

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	600,418	586,695
Total	600,418	586,695

(ii) Reconciliation of movements in Reserves:

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

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
Council has made the following asset adjustments to retained earnings			
- Disposal of community land - duplication of asset or Council is not the owner		(2,871)	
- Community Land previously not recorded in the asset register		386	
- Park Asset disposed due to duplication or Council is not the owner		(23)	
- Write off of depreciation for Tip Asset		907	
- Adjustment to Tip Provision, as not fully remediated		(231)	
- Write off of WIP, as project not continued		(33)	
- Write off of Buildings as not owned by Council		(17)	
- Write off other structures as Council is not the owner		(12)	
		<u>(1,894)</u>	
Correction of errors as disclosed in last year's financial statements:			
Council has made the following asset adjustments to retained earnings:			
- Park Asset Disposals - duplication of assets			(2)
- Other Structure Disposal - not owner of asset			(1,027)
- Bus shelters previously not recorded in asset register			14
- Land transfer of operational to community land			(6,506)
- Adjustment to previous year expenses			11
- Decrease to roads accumulated depreciation			69,556
- Decrease to stormwater drainage accumulated depreciation			14,397
- Plant Suspense Account			26
Total Prior Period Adjustments - Prior Period Errors			<u>76,469</u>

(d) Voluntary Changes in Accounting Policies

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

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2016	Actual 2016
Continuing Operations	Sewer	General¹
Income from Continuing Operations		
Rates & Annual Charges	5,382	42,488
User Charges & Fees	1,019	5,623
Interest & Investment Revenue	65	1,503
Other Revenues	19	4,424
Grants & Contributions provided for Operating Purposes	41	6,992
Grants & Contributions provided for Capital Purposes	451	17,835
Other Income		
Net Gains from Disposal of Assets	-	-
Share of interests in Joint Ventures & Associates using the Equity Method		284
Total Income from Continuing Operations	6,977	79,149
Expenses from Continuing Operations		
Employee Benefits & on-costs	1,444	25,048
Borrowing Costs	-	290
Materials & Contracts	2,489	15,346
Depreciation & Amortisation	2,202	16,253
Unwinding of interest free loan	108	-
Other Expenses	1,339	15,050
Net Losses from the Disposal of Assets	19	226
Share of interests in Joint Ventures & Associates using the Equity Method		
Total Expenses from Continuing Operations	7,601	72,213
Operating Result from Continuing Operations	(624)	6,936
Discontinued Operations		
Net Profit/(Loss) from Discontinued Operations	-	-
Net Operating Result for the Year	(624)	6,936
Net Operating Result attributable to each Council Fund	(624)	6,936
Net Operating Result attributable to Non-controlling Interests	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(1,075)	(10,899)

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

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

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

Statement of Financial Position by Fund \$ '000	Actual 2016	Actual 2016
ASSETS	Sewer	General¹
Current Assets		
Cash & Cash Equivalents	1,409	3,824
Investments	1,126	37,674
Receivables	409	6,190
Inventories		430
Other		836
Total Current Assets	2,944	48,954
Non-Current Assets		
Receivables	-	1,051
Infrastructure, Property, Plant & Equipment	83,251	895,858
Investments Accounted for using the equity method	-	2,538
Investment Property	75	41,580
Intangible Assets	-	471
Total Non-Current Assets	83,326	941,498
TOTAL ASSETS	86,270	990,452
LIABILITIES		
Current Liabilities		
Payables	-	7,967
Borrowings	108	742
Provisions	288	8,524
Total Current Liabilities	396	17,233
Non-Current Liabilities		
Borrowings	1,262	3,244
Provisions	58	2,856
Total Non-Current Liabilities	1,320	6,100
TOTAL LIABILITIES	1,716	23,333
Net Assets	84,554	967,119
EQUITY		
Retained Earnings	37,310	413,945
Revaluation Reserves	47,244	553,174
Council Equity Interest	84,554	967,119
Non-controlling Interests	-	-
Total Equity	84,554	967,119

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

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

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

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2016) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

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

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

- (i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2016.

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

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

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	
		2016	2015
South Windsor Waste Depot	2017	1,529	1,484
East Kurrajong Waste Depot	2016	-	1,233
Balance at End of the Reporting Period	10(a)	1,529	2,717

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

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

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

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

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

Reconciliation of movement in Provision for year:

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

Amount of Expected Reimbursements

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

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

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

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

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

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

Financial Assets

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

Financial Liabilities

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

Note 27. Fair Value Measurement (continued)

Investment Properties

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

The full revaluation was conducted by Lunne Watt and Associates Pty Limited as at 30 June 2016. The value of investment property was determined through either capitalisation of rental income or with reference to value of similar properties within the area. The key unobservable input to this valuation is rent, interest rate property value.

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

Infrastructure, Property, Plant & Equipment

Buildings

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

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

Council revalues buildings every 5 years. The next revaluation is due during the 2017/2018 financial year.

Operational Land

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

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

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

Land Under Road

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

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

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

Community Land

Council conducted the revaluation for the community land on 30 June 2016. Council used the Valuer General's value to determine the fair value of the community land.

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

Council revalues the community land every 5 years, the next revaluation is due on 2020/2021 financial year.

Note 27. Fair Value Measurement (continued)

\$ '000

Sewerage Network

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

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

Road, Bridges, Footpaths and Drainage

Council conducts a full revaluation of the above assets every 5 years. The last revaluation was conducted during the 2014/2015 financial year, which was performed by Council's internal professional staff, consisting of qualified engineers.

The fair value of road assets was determined based on the replacement cost per square metre rate and condition of the asset. The fair value of footpaths and drainage assets were determined based on the replacement cost per square meter and the condition of the asset. Replacement costs was used to determine the fair value of bridges. The next full revaluation s due during the 2019/2020 financial year.

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

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

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

(5). Highest and best use

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

Note 28. Council Information and Contact Details

Principal Place of Business

366 George Street
WINDSOR NSW 2756

Contact Details

Mailing Address:

PO Box 146
WINDSOR NSW 2756

Telephone: (02) 4560 4444

Facsimile: (02) 4587 7740

Officers

ACTING GENERAL MANAGER

Mr Laurie Mifsud

RESPONSIBLE ACCOUNTING OFFICER

Ms Emma Galea

PUBLIC OFFICER

Mr Laurie Mifsud

AUDITORS

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

Other Information

ABN: 54 659 038 834

Opening Hours

8:30am to 5pm
Monday to Friday

Internet: www.hawkesbury.nsw.gov.au

Email: council@hawkesbury.nsw.gov.au

Elected Members for the 2015/2016 Financial Year

MAYOR

Councillor Kim Ford

COUNCILLORS

Councillor Bob Porter
Councillor Barry Calvert
Councillor Patrick Conolly
Councillor Mike Reed
Councillor Mary Lyons-Buckett
Councillor Warwick Mackay
Councillor Christine Paine
Councillor Paul Rasmussen
Councillor Jill Reardon
Councillor Tiffany Tree
Councillor Leigh Williams



Hawkesbury City Council

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

Report on the financial statements

We have audited the accompanying financial statements of Hawkesbury City Council (the Council), which comprise the Statement of Financial Position as at 30 June 2016 and the Income Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2016 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

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

PricewaterhouseCoopers

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

Marc Upcroft
Partner

Sydney
28 October 2016



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

Dear Councillor Lyons-Buckett

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

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

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

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

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

Operating result

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

Cash position

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

	2015 \$m	2016 \$m
Externally restricted	14	14
Internally restricted	24	23
Unrestricted	8	7
Total	46	44

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Working capital

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

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

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

Performance indicators

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

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

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

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

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

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

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

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 8 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.

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



General

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

Yours faithfully

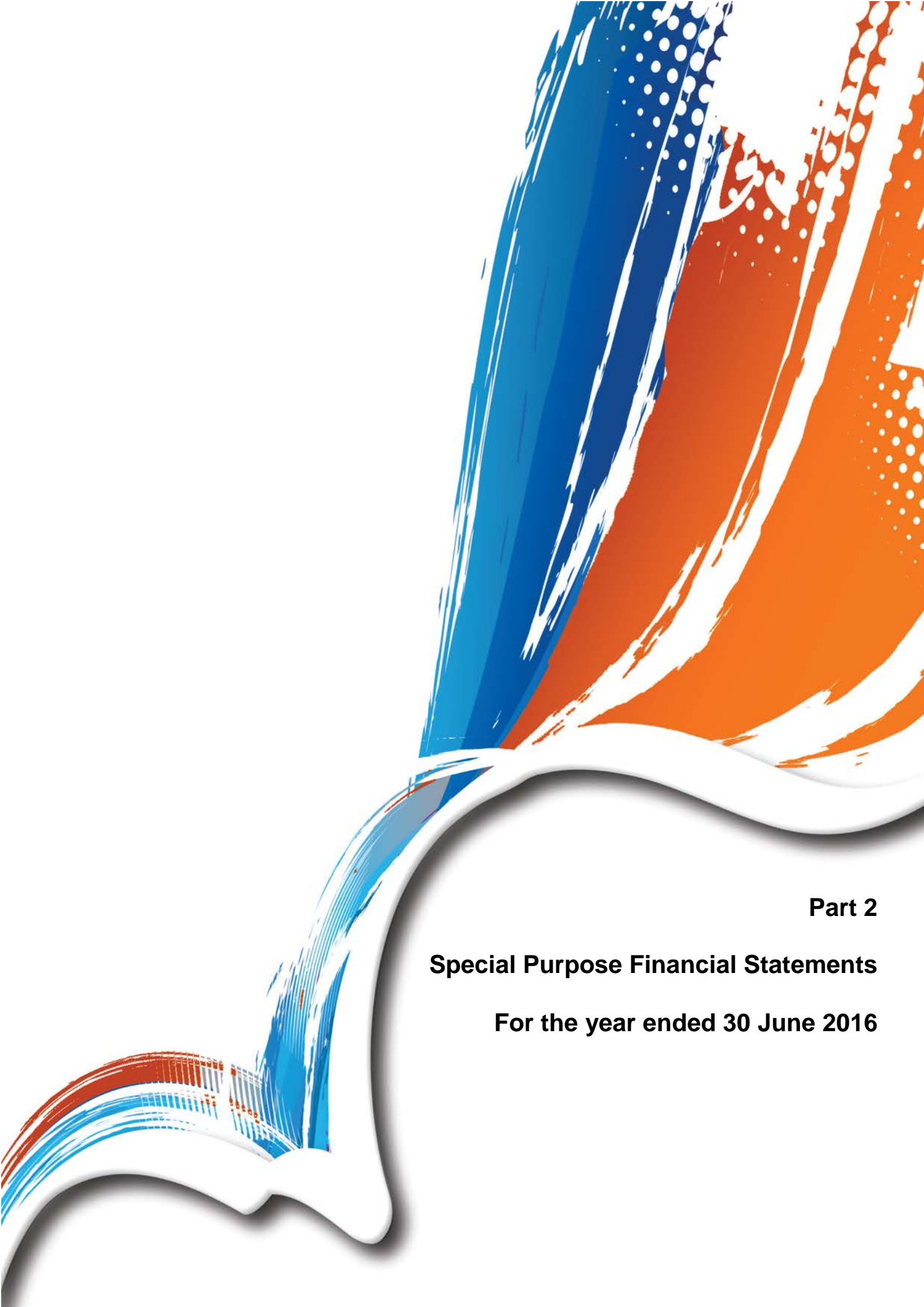
A handwritten signature in black ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in black ink that reads "Marc Upcroft".

Marc Upcroft
Partner

Sydney
28 October 2016



Part 2

Special Purpose Financial Statements

For the year ended 30 June 2016

Contents

Statement by Councillors and Management	96
Special Purpose Financial Statements	97
Income Statement of Council's Sewerage Business Activity	97
Statement of Financial Position - Council's Sewerage Business Activity	98
Notes accompanying the Financial Statements	99

Background

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

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

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

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

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

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

Statement by Councillors and Management

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

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

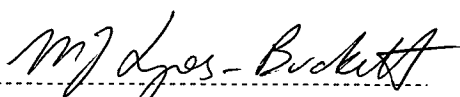
- The NSW Government Policy Statement *"Application of National Competition Policy to Local Government"*.
- The Division of Local Government guidelines *"Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"*.
- The Local Government Code of Accounting Practice and Financial Reporting.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

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

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

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

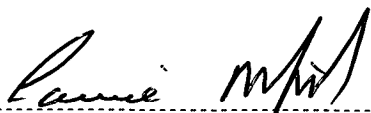
Signed in accordance with a resolution of Council made on 11 October 2016.



Councillor Mary Lyons-Buckett, Mayor



Councillor Barry Calvert, Deputy Mayor



Laurie Mifsud, Acting General Manager



Emma Galea, Responsible Accounting Officer

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2016

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

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

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



Notes accompanying the Financial Statements

Contents

Note 1. Significant Accounting Policies.....	100
Note 3. Sewerage Business Best Practice Management Disclosure Requirements.....	103
Report on the Special Purpose Financial Statements	106

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1 (where gross operating turnover is over \$2 million)

a. Sewerage Service

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

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

Nil

Monetary Amounts

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

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

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first \$432,000 of combined land values attracts 0%. From \$432,001 to \$2,641,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of 2.0% applies.

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

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan and Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

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

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.00% at 30 June 2016.

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Note 3. Sewerage Business

Best Practice Management disclosure requirements

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

2016

1. Calculation and Payment of Tax-Equivalents

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

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

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	188,664
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 & 30 June 2014	(1,045,000)

2016 Surplus	(684,000)	2015 Surplus	(252,000)	2014 Surplus	(109,000)
		2015 Dividend	-	2014 Dividend	-

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

3. Required outcomes for 4 Criteria

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

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) Financial Performance Indicators

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

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	6,807
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.59%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	613
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-0.80%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2016

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	0.14%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): - 668 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: - 41 Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		>100
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(744)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	40

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



Hawkesbury City Council

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

Report on the financial statements

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

Councillors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion:

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

Basis of Accounting and Restriction on Distribution and Use

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

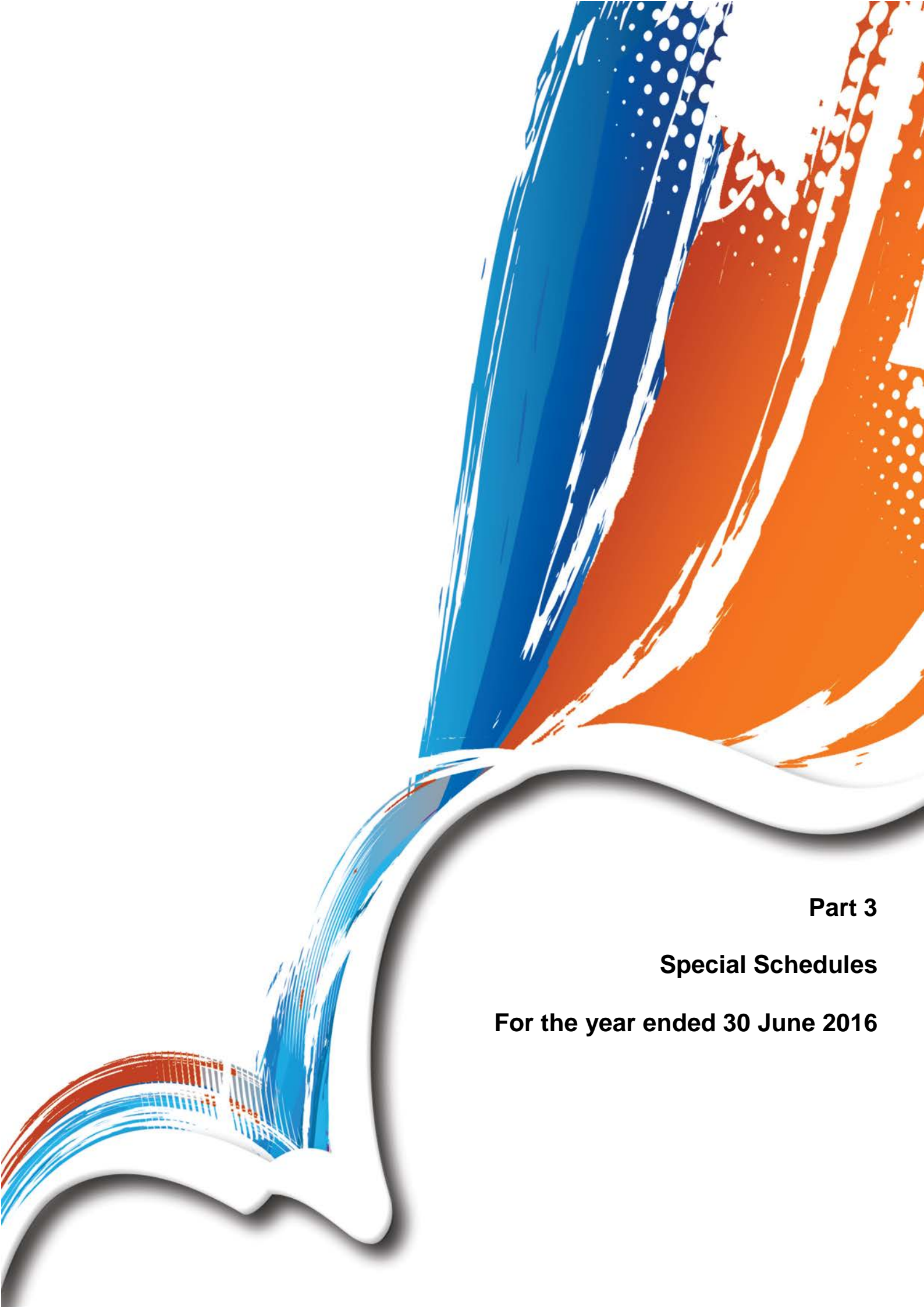
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PricewaterhouseCoopers

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

Marc Upcroft
Partner

Sydney
28 October 2016



Part 3

Special Schedules

For the year ended 30 June 2016

Contents

Special Schedule No.1 - Net Cost of Services.....	111
Special Schedule No.2(a) - Statement of Long Term Debt (all purpose)	113
Special Schedule No. 5 - Sewerage Service Income Statement.....	114
Special Schedule No. 6 - Sewerage Service Statement of Financial Position	118
Notes to Special Schedule No.'s 3 and 5.....	119
Special Schedule No. 7 - Report on Infrastructure Assets	119
Special Schedule No.8 - Permissible Income Calculation	126

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

Background

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

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

\$'000

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

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

\$'000

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

(1) As reported in the Income Statement

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

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

for the financial year ended 30 June 2016

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Other State Government	400	993	1,393	-	400	-	-	-	400	593	993
Financial Institutions	456	3,979	4,435	-	450	-	-	245	484	3,502	3,986
Total Loans	856	4,972	5,828	-	850	-	-	245	884	4,095	4,979
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	856	4,972	5,828	-	850	-	-	245	884	4,095	4,979

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2016

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

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2016

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

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2016

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

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2016

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text" value="-"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text" value="-"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text" value="-"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>
<p>* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.</p> <p>However, disclosure of cross-subsidies is not required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.</p>			

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

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.

as at 30 June 2016

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

Notes to Special Schedule No.'s 3 and 5

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

- (1) Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (i.e. in item 16 for water supply and item 17 for sewerage, and not in items 1a and 1b).
- (2) To enable accurate reporting of residential revenue from usage charges, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

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

as at 30 June 2016

\$'000

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

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

\$'000

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

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

as at 30 June 2016

Notes:

- (1). Satisfactory is defined as “satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate”. The estimated cost to bring assets to a satisfactory condition is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the Council and community. This estimated cost does not include any planned enhancements.
- (2). Required Annual Maintenance is “what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets. Actual maintenance may differ to Required Maintenance due to timing, or as a result of funding shortfalls.

Infrastructure asset condition assessment 'key'

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

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

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

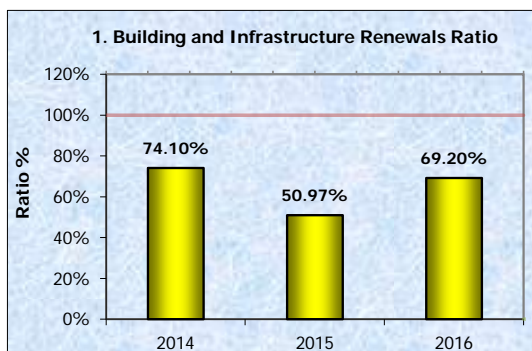
Notes

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

⁽²⁾ Written down value

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

for the financial year ended 30 June 2016



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

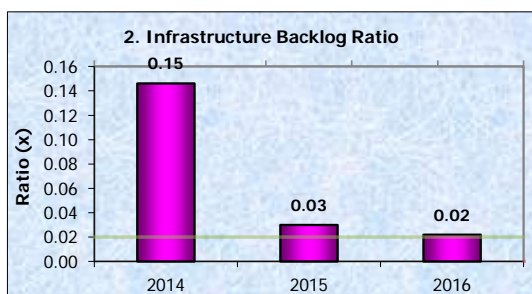
Purpose of Asset Renewals Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 69.2%

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



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

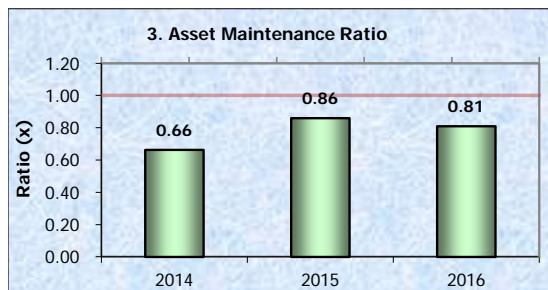
Purpose of Infrastructure Backlog Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 0.02 x

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



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

Purpose of Asset Maintenance Ratio

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

Commentary on 2015/16 Result

2015/16 Ratio 0.81 x

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

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

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

Notes

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

⁽²⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽³⁾ Written down value

Special Schedule No. 8 - Permissible Income Calculation

for the financial year ended 30 June 2016

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

Notes

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



Hawkesbury City Council

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

Report on the Special Schedule No. 8

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

Councillors' responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Audit Opinion

In our opinion, Special Schedule No. 8 of the Hawkesbury City Council for the year ending 30 June 2017 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

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

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

PricewaterhouseCoopers

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

Marc Upcroft
Partner

Sydney
28 October 2016

