

Hunter's Hill Council



FINANCIAL STATEMENTS

2015/2016

for the year ended 30 June 2016



A sense of history, A sense of community, A place to belong, A sustainable future

Hunter's Hill Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

**“A sense of history, A sense of community,
A place to belong, A sustainable future”**



Hunter's Hill Council

General Purpose Financial Statements for the year ended 30 June 2016

| Contents | Page |
|---|------|
| 1. Statement by Councillors and Management | 2 |
| 2. Primary Financial Statements: | |
| – Income Statement | 4 |
| – Statement of Comprehensive Income | 5 |
| – Statement of Financial Position | 6 |
| – Statement of Changes in Equity | 7 |
| – Statement of Cash Flows | 8 |
| 3. Notes to the Financial Statements | 9 |
| 4. Independent Auditor's Reports: | |
| – On the Financial Statements (Sect 417 [2]) | |
| – On the Conduct of the Audit (Sect 417 [3]) | |

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Hunter's Hill Council.
- (ii) Hunter's Hill Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 06 October 2016. Council has the power to amend and reissue these financial statements.
-

Hunter's Hill Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 19 September 2016.



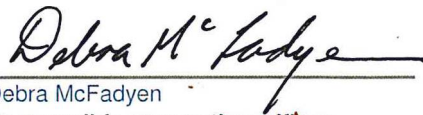
Richard Quinn
Mayor



Councillor



Barry Smith
General manager



Debra McFadyen
Responsible accounting officer

Hunter's Hill Council

Income Statement

for the year ended 30 June 2016

| Budget ¹ | | | | Actual | Actual |
|--|--|------|-------|---------------|---------------|
| 2016 | \$ '000 | | Notes | 2016 | 2015 |
| Income from continuing operations | | | | | |
| Revenue: | | | | | |
| 10,834 | Rates and annual charges | 3a | | 10,858 | 10,483 |
| 1,345 | User charges and fees | 3b | | 1,111 | 1,234 |
| 339 | Interest and investment revenue | 3c | | 354 | 327 |
| 799 | Other revenues | 3d | | 935 | 807 |
| 751 | Grants and contributions provided for operating purposes | 3e,f | | 1,035 | 1,365 |
| 321 | Grants and contributions provided for capital purposes | 3e,f | | 445 | 733 |
| Other income: | | | | | |
| 28 | Net gains from the disposal of assets | 5 | | 4,000 | – |
| | Net share of interests in joint ventures and associates using the equity method | 19 | | 32 | 16 |
| 14,417 | Total income from continuing operations | | | 18,770 | 14,965 |
| Expenses from continuing operations | | | | | |
| 5,578 | Employee benefits and on-costs | 4a | | 5,359 | 5,265 |
| 10 | Borrowing costs | 4b | | 10 | 14 |
| 4,523 | Materials and contracts | 4c | | 5,336 | 5,164 |
| 1,919 | Depreciation and amortisation | 4d | | 2,282 | 2,019 |
| | Impairment | 4d | | – | – |
| 2,364 | Other expenses | 4e | | 2,118 | 2,160 |
| | Interest and investment losses | 3c | | – | – |
| | Net losses from the disposal of assets | 5 | | – | 8 |
| | Net share of interests in joint ventures and associates using the equity method | 19 | | – | – |
| 14,394 | Total expenses from continuing operations | | | 15,105 | 14,630 |
| 23 | Operating result from continuing operations | | | 3,665 | 335 |
| Discontinued operations | | | | | |
| | Net profit/(loss) from discontinued operations | 24 | | – | – |
| 23 | Net operating result for the year | | | 3,665 | 335 |
| 23 | Net operating result attributable to Council | | | 3,665 | 335 |
| | Net operating result attributable to non-controlling interests | | | – | – |
| (298) | Net operating result for the year before grants and contributions provided for capital purposes | | | 3,220 | (398) |

¹ Original budget as approved by Council – refer Note 16

Hunter's Hill Council

Statement of Comprehensive Income

for the year ended 30 June 2016

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|----------|----------------|----------------|
| Net operating result for the year (as per Income Statement) | | 3,665 | 335 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | 6,724 | 2,958 |
| Adjustment to correct prior period errors | | | – |
| Impairment (loss) reversal relating to I,PP&E | 20b (ii) | – | – |
| Other comprehensive income – joint ventures and associates | 19b | – | – |
| Total items which will not be reclassified subsequently to the operating result | | 6,724 | 2,958 |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met | | | |
| Nil | | | |
| Realised (gain) loss on available-for-sale investments recognised in P&L | 20b (ii) | – | – |
| Gain (loss) on revaluation of available-for-sale investments | 20b (ii) | – | – |
| Realised (gain) loss from other reserves recognised in P&L | 20b (ii) | – | – |
| Gain (loss) on revaluation of other reserves | 20b (ii) | – | – |
| Other movements | | | – |
| Total items which will be reclassified subsequently to the operating result when specific conditions are met | | – | – |
| Total other comprehensive income for the year | | 6,724 | 2,958 |
| Total comprehensive income for the year | | 10,389 | 3,293 |
| Total comprehensive income attributable to Council | | 10,389 | 3,293 |
| Total comprehensive income attributable to non-controlling interests | | – | – |

Hunter's Hill Council

Statement of Financial Position
as at 30 June 2016

| \$ '000 | Notes | Actual 2016 | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|----------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 6a | 19,220 | 10,333 | 9,969 |
| Receivables | 7 | 939 | 1,039 | 1,101 |
| Inventories | 8 | 13 | 9 | 17 |
| Other | 8 | 155 | 117 | 96 |
| Total current assets | | 20,327 | 11,498 | 11,183 |
| Non-current assets | | | | |
| Receivables | 7 | 32 | 32 | 32 |
| Infrastructure, property, plant and equipment | 9 | 181,377 | 180,080 | 176,537 |
| Investments accounted for using the equity method | 19 | 465 | 433 | 417 |
| Total non-current assets | | 181,874 | 180,545 | 176,986 |
| TOTAL ASSETS | | 202,201 | 192,043 | 188,169 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | 10 | 3,840 | 4,096 | 3,537 |
| Borrowings | 10 | 65 | 57 | 57 |
| Provisions | 10 | 1,893 | 1,799 | 1,723 |
| Total current liabilities | | 5,798 | 5,952 | 5,317 |
| Non-current liabilities | | | | |
| Borrowings | 10 | 34 | 104 | 161 |
| Provisions | 10 | 17 | 24 | 21 |
| Total non-current liabilities | | 51 | 128 | 182 |
| TOTAL LIABILITIES | | 5,849 | 6,080 | 5,499 |
| Net assets | | 196,352 | 185,963 | 182,670 |
| EQUITY | | | | |
| Retained earnings | 20 | 109,202 | 106,007 | 105,672 |
| Revaluation reserves | 20 | 87,150 | 79,956 | 76,998 |
| Council equity interest | | 196,352 | 185,963 | 182,670 |
| Non-controlling equity interests | | – | – | – |
| Total equity | | 196,352 | 185,963 | 182,670 |

Hunter's Hill Council

Statement of Changes in Equity

for the 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) | | 106,007 | 79,956 | 185,963 | – | 185,963 |
| a. Correction of prior period errors | 20 (c) | – | – | – | – | – |
| b. Changes in accounting policies (prior year effects) | 20 (d) | – | – | – | – | – |
| Revised opening balance (as at 1/7/15) | | 106,007 | 79,956 | 185,963 | – | 185,963 |
| c. Net operating result for the year | | 3,665 | | 3,665 | – | 3,665 |
| d. Other comprehensive income | | | | | | |
| – Revaluations: IPP&E asset revaluation rsve | 20b (ii) | | 6,724 | 6,724 | | 6,724 |
| – Revaluations: other reserves | 20b (ii) | | – | – | | – |
| – Transfers to Income Statement | 20b (ii) | | – | – | | – |
| – Impairment (loss) reversal relating to I,PP&E | 20b (ii) | | – | – | | – |
| – Joint ventures and associates | 19b | – | | – | | – |
| Other comprehensive income | | – | 6,724 | 6,724 | – | 6,724 |
| Total comprehensive income (c&d) | | 3,665 | 6,724 | 10,389 | – | 10,389 |
| e. Distributions to/(contributions from) non-controlling Interests | | | | – | – | – |
| f. Transfers between equity | | 470 | (470) | – | – | – |
| Equity – balance at end of the reporting period | | 110,142 | 86,210 | 196,352 | – | 196,352 |

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council interest | Non-controlling Interest | Total Equity |
|--|----------|-------------------|-------------------------|------------------|--------------------------|------------------|
| 2015 | | | | | | |
| Opening balance (as per last year's audited accounts) | | 269,659 | 279,020 | 548,679 | – | 548,679 |
| a. Correction of prior period errors | 20 (c) | – | – | – | – | – |
| b. Changes in accounting policies (prior year effects) | 20 (d) | (163,987) | (202,022) | (366,009) | – | (366,009) |
| Revised opening balance (as at 1/7/14) | | 105,672 | 76,998 | 182,670 | – | 182,670 |
| c. Net operating result for the year | | 335 | – | 335 | – | 335 |
| d. Other comprehensive income | | | | | | |
| – Revaluations: IPP&E asset revaluation rsve | 20b (ii) | – | 2,958 | 2,958 | – | 2,958 |
| – Revaluations: other reserves | 20b (ii) | – | – | – | – | – |
| – Transfers to Income Statement | 20b (ii) | – | – | – | – | – |
| – Impairment (loss) reversal relating to I,PP&E | 20b (ii) | – | – | – | – | – |
| – Joint ventures and associates | 19b | – | – | – | – | – |
| Other comprehensive income | | – | 2,958 | 2,958 | – | 2,958 |
| Total comprehensive income (c&d) | | 335 | 2,958 | 3,293 | – | 3,293 |
| e. Distributions to/(contributions from) non-controlling Interests | | – | – | – | – | – |
| f. Transfers between equity | | – | – | – | – | – |
| Equity – balance at end of the reporting period | | 106,007 | 79,956 | 185,963 | – | 185,963 |

Hunter's Hill Council

Statement of Cash Flows
for the year ended 30 June 2016

| Budget 2016 | \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|--|-------|----------------|----------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 10,834 | Rates and annual charges | | 10,814 | 10,442 |
| 936 | User charges and fees | | 1,257 | 908 |
| 339 | Investment and interest revenue received | | 305 | 338 |
| 1,072 | Grants and contributions | | 1,785 | 2,126 |
| – | Bonds, deposits and retention amounts received | | 256 | 355 |
| 1,236 | Other | | 1,647 | 2,028 |
| Payments: | | | | |
| (5,530) | Employee benefits and on-costs | | (5,272) | (5,186) |
| (4,554) | Materials and contracts | | (5,954) | (5,039) |
| (10) | Borrowing costs | | (12) | (14) |
| | Bonds, deposits and retention amounts refunded | | (218) | (229) |
| (2,364) | Other | | (2,555) | (3,076) |
| | Net cash from boundary adjustments | | – | – |
| 1,959 | Net cash provided (or used in) operating activities | 11b | 2,053 | 2,653 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| 145 | Sale of infrastructure, property, plant and equipment | | 9,512 | 105 |
| Payments: | | | | |
| (1,963) | Purchase of infrastructure, property, plant and equipment | | (2,616) | (2,337) |
| (1,818) | Net cash provided (or used in) investing activities | | 6,896 | (2,232) |
| Cash flows from financing activities | | | | |
| Receipts: | | | | |
| Nil | | | | |
| Payments: | | | | |
| (61) | Repayment of borrowings and advances | | (62) | (57) |
| (61) | Net cash flow provided (used in) financing activities | | (62) | (57) |
| 80 | Net increase/(decrease) in cash and cash equivalents | | 8,887 | 364 |
| | Plus: cash and cash equivalents – beginning of year | 11a | 10,333 | 9,969 |
| 80 | Cash and cash equivalents – end of the year | 11a | 19,220 | 10,333 |
| Additional Information: | | | | |
| | plus: Investments on hand – end of year | 6b | – | – |
| | Total cash, cash equivalents and investments | | 19,220 | 10,333 |

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

| Note | Details | Page |
|-------|---|-------|
| 1 | Summary of significant accounting policies | 9-15 |
| 2(a) | Council functions/activities – financial information | 16 |
| 2(b) | Council functions/activities – component descriptions | 17 |
| 3 | Income from continuing operations | 18-23 |
| 4 | Expenses from continuing operations | 24-27 |
| 5 | Gains or losses from the disposal of assets | 28 |
| 6(a) | Cash and cash equivalent assets | 29 |
| 6(b) | Investments | 29 |
| 6(c) | Restricted cash, cash equivalents and investments – details | 30-31 |
| 7 | Receivables | 32 |
| 8 | Inventories and other assets | 33 |
| 9(a) | Infrastructure, property, plant and equipment | 34 |
| 9(b) | Externally restricted infrastructure, property, plant and equipment | 35 |
| 9(c) | Infrastructure, property, plant and equipment – current year impairments | 36 |
| 10(a) | Payables, borrowings and provisions | 37-38 |
| 10(b) | Description of (and movements in) provisions | 38 |
| 11 | Statement of cash flows – additional information | 39-40 |
| 12 | Commitments for expenditure | 41-42 |
| 13 | Statement of performance measures: | |
| | 13a (i) Local government industry indicators (consolidated) | 43 |
| 14 | Investment properties | 44 |
| 15 | Financial risk management | 45-48 |
| 16 | Material budget variations | 49-51 |
| 17 | Statement of developer contributions | 52-53 |
| 18 | Contingencies and other liabilities/assets not recognised | 54-55 |
| 19 | Interests in other entities | 56-57 |
| 20 | Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 58-60 |
| 21 | Financial result and financial position by fund | 61 |
| 22 | 'Held for sale' non-current assets and disposal groups | 62 |
| 23 | Events occurring after the reporting date | 63 |
| 24 | Discontinued operations | 64 |
| 25 | Intangible assets | 65 |
| 26 | Reinstatement, rehabilitation and restoration liabilities | 66 |
| 27 | Fair value measurement | 67-76 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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.

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

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)* and Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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.

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).

Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for 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, the write down of any asset on the basis of impairment (if warranted), and certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

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

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)].

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:

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,

(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

Hunter's Hill Council

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

Note 1. Summary of significant accounting policies (continued)

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.

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

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

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

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 and investments is accounted for using the effective interest rate at the date that interest is earned.

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.

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

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 that must be applied only for the

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

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

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

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 that 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 and cash equivalents for presentation of the Cash Flow Statement.

(f) Receivables

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

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

(g) Inventories

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

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

(ii) Inventory held for distribution

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

(h) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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** (Valuer General)
- **Other Structure**
(external valuation)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Roads assets incl. roads, bridges & footpaths**
(external valuation)
- **Stormwater drainage** (external valuation)

Asset revaluations

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.

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life. Land is not depreciated.

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

- | | |
|-----------------------------|-----------------|
| - Office Equipment | 5 to 10 years |
| - Office furniture | 10 to 20 years |
| - Other plant and equipment | 5 to 15 years |
| - Playground equipment | 5 to 15 years |
| - Benches, seats etc | 10 to 20 years |
| - Buildings | 40 to 200 years |

- | | |
|---------------------------|-----------------|
| - Drains | 80 to 100 years |
| - Sealed Roads: Surface | 60 - 200 years |
| - Sealed Roads: Structure | 100 - 200 years |
| - Unsealed roads | 100 - 200 years |
| - Road Pavements | 60 - 200 years |
| - Kerb, Gutter & Paths | 70 - 200 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.

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.

(i) Impairment of assets

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment, or more frequently if 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. Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Payables

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

(k) Borrowings

Loans are carried at their principal amount which represents the present value of further cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of 'Payables'.

Hunter's Hill Council

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

Note 1. Summary of significant accounting policies (continued)

(l) Borrowing costs

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

(m) 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 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting 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.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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 \$565,340.19.

The amount of additional contributions included in the total employer contribution advised above is \$60,000

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$112,578.81 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.

(n) Insurance Pools

Council is a member of Metropool, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund dependant on its past performance. Council's share of the net assets or liabilities reflects our contributions to the pool and insurance claims within each of the funds years.

Council's accounting policy regarding the measurement and disclosure of the potential liability or benefit is to book Council's share of net asset or liability value, as advised by Metropool taking into account their audited figures for the year ended 30 June 2016.

(o) 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.

(ab) New accounting standards and Interpretations issued (not yet effective)

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.

These include the following standards that are anticipated will impact on local government:

AASB 9 – Financial Instruments

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

AASB ED 260 – Income of Not-for-Profit Entities

AASB16 – Leases

Hunter's Hill Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

AASB 2014 – *3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]*

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(ac) Rounding of amounts

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

(ad) Disclaimer

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 | – | – | – | 287 | 1,489 | 1,500 | (287) | (1,489) | (1,500) | – | – | – | – |
| Administration | 148 | 203 | 167 | 4,461 | 3,214 | 3,067 | (4,313) | (3,011) | (2,900) | – | 18 | 29,358 | 20,552 |
| Public order and safety | 21 | 39 | 13 | 708 | 685 | 654 | (687) | (646) | (641) | – | – | 47 | 28 |
| Health | 65 | 60 | 65 | 116 | 102 | 108 | (51) | (42) | (43) | – | 17 | 1 | 2 |
| Environment | 2,677 | 2,877 | 2,829 | 2,744 | 2,996 | 2,906 | (67) | (119) | (77) | 89 | 175 | 79 | 4 |
| Community services and education | 218 | 135 | 219 | 576 | 388 | 554 | (358) | (253) | (335) | 81 | 76 | 18,268 | 14,435 |
| Housing and community amenities | 466 | 2,021 | 427 | 1,262 | 1,345 | 1,265 | (796) | 676 | (838) | 34 | 36 | 19,650 | 20,894 |
| Recreation and culture | 390 | 961 | 945 | 2,213 | 2,615 | 2,302 | (1,823) | (1,654) | (1,357) | 47 | 91 | 51,613 | 47,701 |
| Mining, manufacturing and construction | 31 | 31 | 22 | – | 171 | 96 | 31 | (140) | (74) | – | – | 82 | 84 |
| Transport and communication | 1,184 | 4,309 | 2,402 | 2,023 | 2,112 | 2,177 | (839) | 2,197 | 225 | 285 | 752 | 82,638 | 87,910 |
| Economic affairs | 1 | 2 | 1 | 4 | – | 1 | (3) | 2 | – | – | – | – | – |
| Total functions and activities | 5,201 | 10,638 | 7,090 | 14,394 | 15,117 | 14,630 | (9,193) | (4,479) | (7,540) | 536 | 1,165 | 201,736 | 191,610 |
| and joint ventures (using the equity method) | | 32 | 16 | | – | – | – | 32 | 16 | | – | 465 | 433 |
| General purpose income ¹ | 9,216 | 8,112 | 7,859 | | | | 9,216 | 8,112 | 7,859 | 474 | 479 | | – |
| Operating result from continuing operations | 14,417 | 18,782 | 14,965 | 14,394 | 15,117 | 14,630 | 23 | 3,665 | 335 | 1,010 | 1,644 | 202,201 | 192,043 |

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 2(b). Council functions/activities – component descriptions

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

GOVERNANCE

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

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Hunter's Hill Council

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

Note 3. Income from continuing operations

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| (a) Rates and annual charges | | | |
| Ordinary rates | | | |
| Residential | | 7,093 | 6,881 |
| Business | | 224 | 219 |
| Total ordinary rates | | 7,317 | 7,100 |
| Special rates | | | |
| Environmental | | 166 | 161 |
| Infrastructure | | 353 | 341 |
| Community facilities | | 328 | 317 |
| Other | | 238 | 230 |
| Total special rates | | 1,085 | 1,049 |
| Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic waste management services | | 2,397 | 2,277 |
| Section 611 charges | | 59 | 57 |
| Total annual charges | | 2,456 | 2,334 |
| TOTAL RATES AND ANNUAL CHARGES | | 10,858 | 10,483 |

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|-------|----------------|----------------|
| (b) User charges and fees | | | |
| Specific user charges (per s.502 – specific 'actual use' charges) | | | |
| Domestic waste management services | | 6 | 6 |
| Waste management services (non-domestic) | | 149 | 143 |
| Total user charges | | 155 | 149 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Inspection services | | 26 | 24 |
| Planning and building regulation | | 285 | 259 |
| Section 149 certificates (EPA Act) | | 50 | 52 |
| Section 603 certificates | | 21 | 22 |
| Total fees and charges – statutory/regulatory | | 382 | 357 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | | |
| Community centres | | 172 | 180 |
| Lease rentals | | 13 | 11 |
| Leaseback fees – Council vehicles | | 34 | 32 |
| Park rents | | 76 | 73 |
| Parking fees | | 182 | 90 |
| Restoration charges | | 97 | 342 |
| Total fees and charges – other | | 574 | 728 |
| TOTAL USER CHARGES AND FEES | | 1,111 | 1,234 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| (c) Interest and investment revenue (including losses) | | | |
| Interest | | | |
| – Interest on overdue rates and annual charges (incl. special purpose rates) | | 27 | 23 |
| – Interest earned on investments (interest and coupon payment income) | | 327 | 304 |
| TOTAL INTEREST AND INVESTMENT REVENUE | | 354 | 327 |
| Interest revenue is attributable to: | | | |
| Unrestricted investments/financial assets: | | | |
| Overdue rates and annual charges (general fund) | | 27 | 23 |
| General Council cash and investments | | 294 | 257 |
| Restricted investments/funds – external: | | | |
| Development contributions | | | |
| – Section 94 | | 33 | 47 |
| Total interest and investment revenue recognised | | 354 | 327 |
| (d) Other revenues | | | |
| Rental income – other council properties | | 266 | 264 |
| Fines | | 6 | 12 |
| Fines – parking | | 260 | 218 |
| Commissions and agency fees | | 39 | 29 |
| Sundry rents and charges | | 289 | 209 |
| Waste rebate | | 75 | 75 |
| TOTAL OTHER REVENUE | | 935 | 807 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 | 298 | 299 | – | – |
| Financial assistance – local roads component | 142 | 144 | – | – |
| Pensioners' rates subsidies – general component | 34 | 36 | – | – |
| Total general purpose | 474 | 479 | – | – |
| Specific purpose | | | | |
| Pensioners' rates subsidies: | | | | |
| – Domestic waste management | 16 | 16 | – | – |
| Community care | 79 | 76 | – | – |
| Environmental protection | – | 2 | – | – |
| Library | 47 | 47 | – | – |
| Recreation and culture | – | – | – | 43 |
| Street lighting | 34 | 34 | – | – |
| Traffic route subsidy | 6 | 6 | – | – |
| Transport (roads to recovery) | 193 | 406 | – | – |
| Transport (other roads and bridges funding) | – | 6 | 70 | 337 |
| Stormwater drainage | 91 | 172 | – | – |
| Other | – | 20 | – | – |
| Total specific purpose | 466 | 785 | 70 | 380 |
| Total grants | 940 | 1,264 | 70 | 380 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 635 | 849 | 70 | 337 |
| – State funding | 305 | 415 | – | 43 |
| | 940 | 1,264 | 70 | 380 |

Hunter's Hill Council

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

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 | – | – | 360 | 338 |
| Total developer contributions 17 | – | – | 360 | 338 |
| Other contributions: | | | | |
| Kerb and gutter | 5 | 12 | – | – |
| RMS contributions (regional roads, block grant) | 72 | 70 | 15 | 15 |
| Other | 18 | 19 | – | – |
| Total other contributions | 95 | 101 | 15 | 15 |
| Total contributions | 95 | 101 | 375 | 353 |
| <u>TOTAL GRANTS AND CONTRIBUTIONS</u> | <u>1,035</u> | <u>1,365</u> | <u>445</u> | <u>733</u> |

Hunter's Hill Council

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

Note 3. Income from continuing operations (continued)

| \$ '000 | Actual 2016 | Actual 2015 |
|--|---------------------|---------------------|
| (g) Restrictions relating to grants and contributions | | |
| Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner: | | |
| Unexpended at the close of the previous reporting period | 1,156 | 1,445 |
| Add: grants and contributions recognised in the current period but not yet spent: | 540 | 1,249 |
| Less: grants and contributions recognised in a previous reporting period now spent: | (590) | (1,538) |
| Net increase (decrease) in restricted assets during the period | (50) | (289) |
| Unexpended and held as restricted assets | <u><u>1,106</u></u> | <u><u>1,156</u></u> |
| Comprising: | | |
| – Specific purpose unexpended grants | 100 | 117 |
| – Developer contributions | 1,006 | 1,039 |
| | <u><u>1,106</u></u> | <u><u>1,156</u></u> |

Hunter's Hill Council

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

Note 4. Expenses from continuing operations

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|---------------------|---------------------|
| (a) Employee benefits and on-costs | | | |
| Salaries and wages | | 3,921 | 3,997 |
| Travel expenses | | 85 | 96 |
| Employee leave entitlements (ELE) | | 578 | 484 |
| Superannuation | | 565 | 536 |
| Workers' compensation insurance | | 88 | 57 |
| Fringe benefit tax (FBT) | | 54 | 56 |
| Training costs (other than salaries and wages) | | 84 | 50 |
| Total employee costs | | 5,375 | 5,276 |
| Less: capitalised costs | | (16) | (11) |
| <u>TOTAL EMPLOYEE COSTS EXPENSED</u> | | <u>5,359</u> | <u>5,265</u> |
| Number of 'full-time equivalent' employees (FTE) at year end | | 57 | 59 |
| (b) Borrowing costs | | | |
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 10 | 14 |
| Total interest bearing liability costs | | 10 | 14 |
| Total interest bearing liability costs expensed | | 10 | 14 |
| <u>TOTAL BORROWING COSTS EXPENSED</u> | | <u>10</u> | <u>14</u> |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|-------|----------------|----------------|
| (c) Materials and contracts | | | |
| Raw materials and consumables | | 801 | 807 |
| Contractor and consultancy costs | | 3,782 | 4,011 |
| Auditors remuneration ⁽¹⁾ | | 76 | 73 |
| Infringement notice contract costs (SEINS) | | – | – |
| Legal expenses: | | | |
| – Legal expenses: planning and development | | 459 | 232 |
| – Legal expenses: debt recovery | | – | – |
| – Legal expenses: other | | 206 | 23 |
| Operating leases: | | | |
| – Operating lease rentals: minimum lease payments ⁽²⁾ | | 17 | 18 |
| Total materials and contracts | | 5,341 | 5,164 |
| Less: capitalised costs | | (5) | – |
| TOTAL MATERIALS AND CONTRACTS | | 5,336 | 5,164 |
| 1. Auditor remuneration | | | |
| During the year, the following fees were incurred for services provided by the Council's Auditor: | | | |
| (i) Audit and other assurance services | | | |
| – Audit and review of financial statements: Council's auditor | | 29 | 27 |
| – Audit and review of financial statements: internal auditors | | 47 | 46 |
| Remuneration for audit and other assurance services | | 76 | 73 |
| Total Auditor remuneration | | 76 | 73 |
| 2. Operating lease payments are attributable to: | | | |
| Other | | 17 | 18 |
| | | 17 | 18 |

Hunter's Hill Council

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

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Impairment costs | | Depreciation/amortisation | |
|---|-------|------------------|----------------|---------------------------|----------------|
| | | Actual 2016 | Actual 2015 | Actual 2016 | Actual 2015 |
| (d) Depreciation, amortisation and impairment | | | | | |
| Plant and equipment | | – | – | 167 | 161 |
| Office equipment | | – | – | 88 | 107 |
| Furniture and fittings | | – | – | 17 | 15 |
| Infrastructure: | | | | | |
| – Buildings – non-specialised | | – | – | 116 | 113 |
| – Buildings – specialised | | – | – | 212 | 212 |
| – Other structures | | – | – | 203 | 184 |
| – Roads | | – | – | 948 | 775 |
| – Footpaths | | – | – | 268 | 315 |
| – Kerb and guttering | | – | – | 121 | 33 |
| – Other road assets | | – | – | 31 | 25 |
| – Stormwater drainage | | – | – | 111 | 79 |
| Total depreciation and impairment costs | | – | – | 2,282 | 2,019 |
| TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED | | – | – | 2,282 | 2,019 |

Hunter's Hill Council

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

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 | | 36 | 31 |
| Bad and doubtful debts | | 10 | 2 |
| Bank charges | | 39 | 38 |
| – Department of planning levy | | 55 | 54 |
| – NSW fire brigade levy | | 419 | 404 |
| – Regional library | | 650 | 591 |
| – Other contributions/levies | | 38 | 38 |
| Councillor expenses – mayoral fee | | 40 | 39 |
| Councillor expenses – councillors' fees | | 129 | 126 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | | 21 | 52 |
| Donations, contributions and assistance to other organisations (Section 356) | | 10 | 9 |
| Electricity and heating | | 144 | 161 |
| Insurance | | 152 | 192 |
| Printing and stationery | | 50 | 72 |
| Street lighting | | 222 | 240 |
| Subscriptions and publications | | 67 | 70 |
| Telephone and communications | | 36 | 41 |
| Total other expenses | | 2,118 | 2,160 |
| Less: capitalised costs | | – | – |
| <u>TOTAL OTHER EXPENSES</u> | | <u>2,118</u> | <u>2,160</u> |

Hunter's Hill Council

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

Note 5. Gains or losses from the disposal of assets

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| Property (excl. investment property) | | | |
| Proceeds from disposal – property | | 9,433 | – |
| Less: carrying amount of property assets sold/written off | | (5,447) | – |
| Net gain/(loss) on disposal | | 3,986 | – |
| Plant and equipment | | | |
| Proceeds from disposal – plant and equipment | | 79 | 105 |
| Less: carrying amount of plant and equipment assets sold/written off | | (53) | (93) |
| Net gain/(loss) on disposal | | 26 | 12 |
| Bus shelter and structure | | | |
| Proceeds from disposal – Bus shelter and structure | | – | – |
| Less: carrying amount of Bus shelter and structure assets sold/written off | | (12) | (20) |
| Net gain/(loss) on disposal | | (12) | (20) |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | 4,000 | (8) |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6a. – Cash assets and Note 6b. – investments

| \$ '000 | Notes | 2016 | 2016 | 2015 | 2015 |
|--|-------|-------------------|-----------------------|-------------------|-----------------------|
| | | Actual Current | Actual Non-current | Actual Current | Actual Non-current |
| Cash and cash equivalents (Note 6a) | | | | | |
| Cash on hand and at bank | | 383 | – | 397 | – |
| Cash-equivalent assets ¹ | | | | | |
| – Deposits at call | | 942 | – | 854 | – |
| – Short-term deposits | | 17,895 | – | 9,082 | – |
| Total cash and cash equivalents | | 19,220 | – | 10,333 | – |
| Investments (Note 6b) | | | | | |
| Nil | | | | | |
| Total investments | | – | – | – | – |
| TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS | | 19,220 | – | 10,333 | – |

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

Hunter's Hill Council

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

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

| \$ '000 | 2016 | 2016 | 2015 | 2015 |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Actual Current | Actual Non-current | Actual Current | Actual Non-current |
| Total cash, cash equivalents and investments | 19,220 | – | 10,333 | – |
| attributable to: | | | | |
| External restrictions (refer below) | 2,867 | – | 2,991 | – |
| Internal restrictions (refer below) | 4,436 | – | 4,604 | – |
| Unrestricted | 11,917 | – | 2,738 | – |
| | 19,220 | – | 10,333 | – |

| 2016 \$ '000 | Opening balance | Transfers to restrictions | Transfers from restrictions | Closing balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

Details of restrictions

External restrictions – included in liabilities

| | | | | |
|--|-----------|----------|----------|-----------|
| Specific purpose unexpended loans – general (A) | 24 | – | – | 24 |
| External restrictions – included in liabilities | 24 | – | – | 24 |

External restrictions – other

| | | | | |
|--|--------------|--------------|----------------|--------------|
| Developer contributions – general (D) | 1,039 | 393 | (426) | 1,006 |
| Specific purpose unexpended grants (F) | 117 | – | (17) | 100 |
| Domestic waste management (G) | 323 | – | (77) | 246 |
| Other special levies (G) | 1,488 | 1,090 | (1,087) | 1,491 |
| External restrictions – other | 2,967 | 1,483 | (1,607) | 2,843 |
| Total external restrictions | 2,991 | 1,483 | (1,607) | 2,867 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

| 2016 \$ '000 | Opening balance | Transfers to restrictions | Transfers from restrictions | Closing balance |
|------------------------------------|--------------------|------------------------------|--------------------------------|--------------------|
| Internal restrictions | | | | |
| Plant and vehicle replacement | 491 | 83 | (50) | 524 |
| Employees leave entitlement | 675 | 519 | (518) | 676 |
| Deposits, retentions and bonds | 2,589 | 256 | (218) | 2,627 |
| Construction of buildings | 249 | – | – | 249 |
| Office equipment | 213 | – | (108) | 105 |
| Road reconstruction | 182 | 45 | (182) | 45 |
| Elections | 81 | 20 | – | 101 |
| Public places and urban design | 6 | – | (6) | – |
| Insurance reserve | 59 | – | – | 59 |
| Other | 59 | 15 | (24) | 50 |
| Total internal restrictions | 4,604 | 938 | (1,106) | 4,436 |
| TOTAL RESTRICTIONS | 7,595 | 2,421 | (2,713) | 7,303 |

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C** Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Hunter's Hill Council

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

Note 7. Receivables

| \$ '000 | Notes | 2016 | | 2015 | |
|---|-------|-------------------|------------------|---------------------|------------------|
| | | Current | Non-current | Current | Non-current |
| Purpose | | | | | |
| Rates and annual charges | | 271 | 21 | 228 | 20 |
| Interest and extra charges | | 14 | 11 | 13 | 12 |
| User charges and fees | | 179 | – | 165 | – |
| Accrued revenues | | | | | |
| – Interest on investments | | 75 | – | 26 | – |
| – Other income accruals | | 111 | – | 53 | – |
| Government grants and subsidies | | 15 | – | 291 | – |
| Net GST receivable | | 286 | – | 268 | – |
| Total | | 951 | 32 | 1,044 | 32 |
| Less: provision for impairment | | | | | |
| User charges and fees | | (12) | – | (5) | – |
| Total provision for impairment – receivables | | (12) | – | (5) | – |
| <u>TOTAL NET RECEIVABLES</u> | | <u>939</u> | <u>32</u> | <u>1,039</u> | <u>32</u> |
| Externally restricted receivables | | | | | |
| Domestic waste management | | 69 | – | 57 | – |
| Total external restrictions | | 69 | – | 57 | – |
| Internally restricted receivables | | | | | |
| Nil | | | | | |
| Unrestricted receivables | | 870 | 32 | 982 | 32 |
| TOTAL NET RECEIVABLES | | <u>939</u> | <u>32</u> | <u>1,039</u> | <u>32</u> |

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (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.

Hunter's Hill Council

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

Note 8. Inventories and other assets

| \$ '000 | Notes | 2016 | | 2015 | |
|---|-------|------------|-------------|------------|-------------|
| | | Current | Non-current | Current | Non-current |
| (a) Inventories | | | | | |
| (i) Inventories at cost | | | | | |
| Stores and materials | | 13 | – | 9 | – |
| Total inventories at cost | | 13 | – | 9 | – |
| TOTAL INVENTORIES | | 13 | – | 9 | – |
| (b) Other assets | | | | | |
| Prepayments | | 155 | – | 117 | – |
| TOTAL OTHER ASSETS | | 155 | – | 117 | – |
| Externally restricted assets | | | | | |
| There are no restrictions applicable to the above assets. | | | | | |
| Total unrestricted assets | | 168 | – | 126 | – |
| TOTAL INVENTORIES AND OTHER ASSETS | | 168 | – | 126 | – |

Hunter's Hill Council

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

Note 9a. Infrastructure, property, plant and equipment

| \$ '000 | as at 30/6/2015 | | | | Asset movements during the reporting period | | | | | | as at 30/6/2016 | | | | | |
|---|-----------------|----------------|---------------|------------|---|-------------------------|-----------------------------------|-------------------------|------------------|---|-----------------|------------|----------------|---------------|----------|----------------|
| | At | At | Accumulated | Carrying | Additions renewals | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Revaluation increments to equity (ARR) | At | At | Accumulated | Carrying | | |
| | cost | fair value | depreciation | impairment | | | | | | | cost | fair value | depreciation | impairment | value | |
| Capital work in progress | 273 | – | – | – | 53 | 42 | – | – | (224) | – | 144 | – | – | – | 144 | |
| Plant and equipment | – | 1,349 | 827 | – | – | 198 | (53) | (167) | – | – | – | 1,302 | 802 | – | 500 | |
| Office equipment | – | 1,546 | 1,411 | – | – | 53 | – | (88) | – | – | – | 1,598 | 1,498 | – | 100 | |
| Furniture and fittings | – | 246 | 124 | – | 20 | – | – | (17) | 3 | – | – | 268 | 140 | – | 128 | |
| Land: | | | | | | | | | | | | | | | | |
| – Operational land | – | 23,993 | – | – | – | – | (5,144) | – | – | – | – | 18,849 | – | – | 18,849 | |
| – Community land | – | 55,204 | – | – | – | – | – | – | – | 6,690 | – | 61,894 | – | – | 61,894 | |
| Infrastructure: | | | | | | | | | | | | | | | | |
| – Buildings – non-specialised | – | 7,034 | 1,650 | – | 38 | 17 | – | (116) | – | – | – | 7,090 | 1,767 | – | 5,323 | |
| – Buildings – specialised | – | 15,668 | 3,614 | – | 26 | – | (303) | (212) | 4 | – | – | 15,333 | 3,764 | – | 11,569 | |
| – Other structures | – | 7,970 | 1,743 | – | 132 | 54 | (12) | (203) | 33 | 34 | – | 8,451 | 2,186 | – | 6,265 | |
| – Roads | – | 51,993 | 5,942 | – | 1,030 | – | – | (948) | 179 | – | – | 53,202 | 6,890 | – | 46,312 | |
| – Footpaths | – | 9,960 | 2,360 | – | 170 | – | – | (268) | 3 | – | – | 10,133 | 2,628 | – | 7,505 | |
| – Kerb and guttering | – | 14,325 | 904 | – | 362 | – | – | (121) | – | – | – | 14,687 | 1,025 | – | 13,662 | |
| – Other road assets | – | 1,304 | 113 | – | – | – | – | (31) | – | – | – | 1,304 | 144 | – | 1,160 | |
| – Stormwater drainage | – | 9,185 | 1,282 | – | 172 | – | – | (111) | 2 | – | – | 9,360 | 1,394 | – | 7,966 | |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP. | 273 | 199,777 | 19,970 | – | 180,080 | 2,003 | 364 | (5,512) | (2,282) | – | 6,724 | 144 | 203,471 | 22,238 | – | 181,377 |

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 and equipment.

Hunter's Hill Council

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

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

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

| \$ '000 | Notes | 2016 | | 2015 | |
|--|-------|--------------|-------------|--------------|-------------|
| | | Current | Non-current | Current | Non-current |
| Payables | | | | | |
| Goods and services – operating expenditure | | 429 | – | 558 | – |
| Goods and services – capital expenditure | | 225 | – | 474 | – |
| Payments received in advance | | 292 | – | 240 | – |
| Accrued expenses: | | | | | |
| – Borrowings | | 2 | – | 4 | – |
| – Other expenditure accruals | | 265 | – | 231 | – |
| Security bonds, deposits and retentions | | 2,627 | – | 2,589 | – |
| Total payables | | 3,840 | – | 4,096 | – |
| Borrowings | | | | | |
| Loans – secured ¹ | | 65 | 34 | 57 | 104 |
| Total borrowings | | 65 | 34 | 57 | 104 |
| Provisions | | | | | |
| Employee benefits: | | | | | |
| Annual leave | | 591 | – | 564 | – |
| Sick leave | | 19 | – | 5 | – |
| Long service leave | | 1,264 | 17 | 1,214 | 24 |
| Other leave | | 19 | – | 16 | – |
| Sub-total – aggregate employee benefits | | 1,893 | 17 | 1,799 | 24 |
| Total provisions | | 1,893 | 17 | 1,799 | 24 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | 5,798 | 51 | 5,952 | 128 |

(i) Liabilities relating to restricted assets

| | 2016 | | 2015 | |
|--|--------------|-------------|--------------|-------------|
| | Current | Non-current | Current | Non-current |
| Externally restricted assets | | | | |
| Domestic waste management | 167 | – | 200 | – |
| Liabilities relating to externally restricted assets | 167 | – | 200 | – |
| Total liabilities relating to restricted assets | 167 | – | 200 | – |
| Total liabilities relating to unrestricted assets | 5,631 | 51 | 5,752 | 128 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | 5,798 | 51 | 5,952 | 128 |

¹ Loans are secured over the general rating income of Council

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions (continued)

| \$ '000 | Actual 2016 | Actual 2015 |
|---------|----------------|----------------|
|---------|----------------|----------------|

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

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

| | | |
|--|--------------|--------------|
| Provisions – employees benefits | 979 | 941 |
| Payables – security bonds, deposits and retentions | 2,356 | 2,309 |
| | <u>3,335</u> | <u>3,250</u> |

Note 10b. Description of and movements in provisions

| Class of provision | 2015 | | 2016 | | | Closing balance as at 30/6/16 |
|--------------------------|---------------------------------|-----------------------|--------------------------|--|-------------------------|----------------------------------|
| | Opening balance as at 1/7/15 | Additional provisions | Decrease due to payments | Remeasurement effects due to discounting | Unused amounts reversed | |
| Annual leave | 564 | 348 | (321) | | | 591 |
| Sick leave | 5 | 36 | (22) | | | 19 |
| Long service leave | 1,238 | 238 | (195) | | | 1,281 |
| Other leave (enter detai | 16 | 3 | | | | 19 |
| TOTAL | 1,823 | 625 | (538) | – | – | 1,910 |

- 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.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---|-------|----------------|----------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6a | 19,220 | 10,333 |
| Less bank overdraft | 10 | – | – |
| Balance as per the Statement of Cash Flows | | 19,220 | 10,333 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | | |
| Net operating result from Income Statement | | 3,665 | 335 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 2,282 | 2,019 |
| Net losses/(gains) on disposal of assets | | (4,000) | 8 |
| Impairment losses recognition – I,PP&E | | – | – |
| Share of net (profits) or losses of associates/joint ventures | | (32) | (16) |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | 93 | 62 |
| Increase/(decrease) in provision for doubtful debts | | 7 | – |
| Decrease/(increase) in inventories | | (4) | 8 |
| Decrease/(increase) in other assets | | (38) | (21) |
| Increase/(decrease) in payables | | (129) | 117 |
| Increase/(decrease) in accrued interest payable | | (2) | – |
| Increase/(decrease) in other accrued expenses payable | | 34 | 43 |
| Increase/(decrease) in other liabilities | | 90 | 19 |
| Increase/(decrease) in employee leave entitlements | | 87 | 79 |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 2,053 | 2,653 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| (c) Non-cash investing and financing activities | | | |
| Nil | | | |
| (d) Financing arrangements | | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | | |
| Credit cards/purchase cards | | 10 | 10 |
| Total financing arrangements | | 10 | 10 |
| Amounts utilised as at balance date: | | | |
| – Credit cards/purchase cards | | 1 | 1 |
| Total financing arrangements utilised | | 1 | 1 |

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

(ii) Secured loan liabilities

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|----------------|
| (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 | | 16 | 16 |
| Later than one year and not later than 5 years | | 23 | 39 |
| Later than 5 years | | – | – |
| Total non-cancellable operating lease commitments | | 39 | 55 |

b. Non-cancellable operating leases include the following assets:

Council has entered into non-cancellable operating leases for office photocopier equipment contingent rental payments have been determined & have been publicly notified in Council's Annual Management Plan.

The term of the lease is five years. No lease imposes any additional restrictions on Council in relation to Additional debt of further leasing.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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⁾ excluding capital grants and contributions less operating expenses | <u>(812)</u> | -5.68% | -2.86% | -4.18% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | 14,293 | | | |
| 2. Own source operating revenue ratio | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | <u>13,258</u> | 89.96% | 85.97% | 88.99% |
| Total continuing operating revenue ⁽¹⁾ | 14,738 | | | |
| 3. Unrestricted current ratio | | | | |
| Current assets less all external restrictions ⁽²⁾ | <u>17,391</u> | 7.57x | 3.38x | 3.88x |
| Current liabilities less specific purpose liabilities ^(3, 4) | 2,296 | | | |
| 4. Debt service cover ratio | | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | <u>1,480</u> | 20.56x | 22.92x | 20.51x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 72 | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | |
| Rates, annual and extra charges outstanding | <u>317</u> | 2.84% | 2.54% | 2.26% |
| Rates, annual and extra charges collectible | 11,158 | | | |
| 6. Cash expense cover ratio | | | | |
| Current year's cash and cash equivalents plus all term deposits | <u>19,220</u> | 16.39 mths | 9.1 mths | 9.3 mths |
| Payments from cash flow of operating and financing activities | 1,173 | | | |

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

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

Hunter's Hill Council

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

Note 14. Investment properties

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

Council has not classified any land or buildings as 'investment properties'.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

| | Carrying value | | Fair value | |
|------------------------------------|----------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Financial assets | | | | |
| Cash and cash equivalents | 19,220 | 10,333 | 19,220 | 10,333 |
| Investments | | | | |
| Receivables | 971 | 1,071 | 971 | 1,071 |
| Total financial assets | 20,191 | 11,404 | 20,191 | 11,404 |
| Financial liabilities | | | | |
| Payables | 3,548 | 3,856 | 3,548 | 3,856 |
| Loans/advances | 99 | 161 | 99 | 161 |
| Total financial liabilities | 3,647 | 4,017 | 3,647 | 4,017 |

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

The risks associated with the investments held are:

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

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

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

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

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

| 2016 | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|--------|--------------------------|--------|
| | Profit | Equity | Profit | Equity |
| Possible impact of a 10% movement in market values | | | | |
| Possible impact of a 1% movement in interest rates | 192 | 192 | (192) | (192) |
| 2015 | | | | |
| Possible impact of a 10% movement in market values | | | | |
| Possible impact of a 1% movement in interest rates | 103 | 103 | (103) | (103) |

Hunter's Hill Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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 and annual charges | 2016 Other receivables | 2015 Rates and annual charges | 2015 Other receivables |
|--------------------------------------|--|------------------------------|--|------------------------------|
| (i) Ageing of receivables – % | | | | |
| Current (not yet overdue) | 91% | 79% | 92% | 40% |
| Overdue | 9% | 21% | 8% | 60% |
| | 100% | 100% | 100% | 100% |

| | | 2016 Rates and annual charges | 2016 Other receivables | 2015 Rates and annual charges | 2015 Other receivables |
|---|--------------------------|--|------------------------------|--|------------------------------|
| (ii) Ageing of receivables – value | | | | | |
| Rates and annual charges | Other receivables | | | | |
| Current | Current | – | 376 | – | (2) |
| < 1 year overdue | 0 – 30 days overdue | 265 | 69 | – | 336 |
| 1 – 2 years overdue | 30 – 60 days overdue | 6 | 75 | 228 | 92 |
| 2 – 5 years overdue | 60 – 90 days overdue | | 70 | – | 179 |
| > 5 years overdue | > 90 days overdue | 21 | 101 | 20 | 223 |
| | | 292 | 691 | 248 | 828 |

(iii) Movement in provision for impairment of receivables

| | 2016 | 2015 |
|---|-----------|----------|
| Balance at the beginning of the year | 5 | 5 |
| + new provisions recognised during the year | 7 | |
| Balance at the end of the year | 12 | 5 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

| \$ '000 | Subject to no maturity | payable in: | | | | | | Total cash outflows | Actual carrying values |
|------------------------------------|------------------------|--------------|-----------|-----------|----------|----------|----------|---------------------|------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 2016 | | | | | | | | | |
| Bank overdraft | – | | | | | | | – | – |
| Trade/other payables | 2,627 | 921 | | | | | | 3,548 | 3,548 |
| Loans and advances | | 65 | 34 | | | | | 99 | 99 |
| Lease liabilities | | | | | | | | – | – |
| Total financial liabilities | 2,627 | 986 | 34 | – | – | – | – | 3,647 | 3,647 |
| 2015 | | | | | | | | | |
| Bank overdraft | – | – | – | – | – | – | – | – | – |
| Trade/other payables | 2,589 | 1,267 | – | – | – | – | – | 3,856 | 3,856 |
| Loans and advances | – | 61 | 65 | 35 | – | – | – | 161 | 161 |
| Lease liabilities | – | – | – | – | – | – | – | – | – |
| Total financial liabilities | 2,589 | 1,328 | 65 | 35 | – | – | – | 4,017 | 4,017 |

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

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

| | 2016 | | 2015 | |
|--|----------------|-----------------------|----------------|-----------------------|
| | Carrying value | Average interest rate | Carrying value | Average interest rate |
| Trade/other payables | 3,548 | | 3,856 | |
| Loans and advances – fixed interest rate | 99 | 7.30% | 161 | 7.30% |
| | <u>3,647</u> | | <u>4,017</u> | |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 27 July 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

| \$ '000 | 2016 Budget | 2016 Actual | 2016 ----- Variance* ----- | |
|---|----------------|----------------|-------------------------------|-----------------|
| REVENUES | | | | |
| User charges and fees | 1,345 | 1,111 | (234) | (17%) U |
| Almost the entire variance is due to restoration fees being less than budget \$253U | | | | |
| Other revenues | 799 | 935 | 136 | 17% F |
| Received increase in other revenues from art show \$33F, sale of SES vehicle \$34, planning proposal \$50F and commission from art show & plan first \$26F. | | | | |
| Operating grants and contributions | 751 | 1,035 | 284 | 38% F |
| New funding received for control of weeds to protect Coastal Saltmarsh at Gladesville Reserve \$10F, Restoration of threatened wetlands at Riverglade Reserve \$25F and previous grants for Restoring EECs along Lane Cove River Estuary \$39F and Stormwater Improvement along Tarban Creek \$15F. Received a total of 4 years allocation for Roads to Recovery funding \$193F not included in budget and Child Restraint \$2F | | | | |
| Capital grants and contributions | 321 | 445 | 124 | 39% F |
| Received previous year grant for Huntleys Point Car Park \$70F | | | | |
| Net gains from disposal of assets | 28 | 4,000 | 3,972 | 14186% F |
| Sale of land and building for \$9.5M not included in budget. | | | | |
| Joint ventures and associates - net profits | - | 32 | 32 | 0% F |
| A requirement under Local Government Code of Accounting Practice and Financial Reporting for interest in other entities Metropool and United Independent Pools \$32F | | | | |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

| \$ '000 | 2016 Budget | 2016 Actual | 2016 ----- Variance* ----- | |
|--|----------------|----------------|-------------------------------|----------------|
| EXPENSES | | | | |
| Materials and contracts | 4,523 | 5,336 | (813) | (18%) U |
| Planning legal costs \$279U of which approximately \$200 maybe recovered, FFTF merger proposal \$183U not in original budget. Increase in contractors & consultants \$225U offset by reduction in labour costs \$218F. Other variances were increases in materials used for Art Exhibition \$50U and other events \$19U, depot and supplies expenses \$7U, Stormwater maintenance \$3U, Parking supplies \$29U, Bin replacement and repair \$15U | | | | |
| Depreciation and amortisation | 1,919 | 2,282 | (363) | (19%) U |
| Revaluation of assets has led to increase in depreciation which was not available at time of budgeting | | | | |
| Other expenses | 2,364 | 2,118 | 246 | 10% F |
| The component of the variances were the decrease in water rates \$20F, electricity \$23F, Street lighting \$78F, Mayor & Councillor expenses \$40F, Subscriptions \$20F, Printing & Stationary \$39F and Advertising \$18F | | | | |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

| \$ '000 | 2016 Budget | 2016 Actual | 2016 ----- Variance* ----- |
|---------|----------------|----------------|-------------------------------|
|---------|----------------|----------------|-------------------------------|

Budget variations relating to Council's Cash Flow Statement include:

| | | | | | |
|---|----------------|--------------|--------------|-----------------|----------|
| Cash flows from investing activities | (1,818) | 6,896 | 8,714 | (479.3%) | F |
|---|----------------|--------------|--------------|-----------------|----------|

This favourable variance is entirely due to the sale of land and building

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Drainage | – | – | – | – | – | – | – | – |
| Roads | – | – | – | – | – | – | – | – |
| Traffic facilities | – | – | – | – | – | – | – | – |
| Parking | – | – | – | – | – | – | – | – |
| Open space | – | – | – | – | – | – | – | – |
| Community facilities | – | – | – | – | – | – | – | – |
| Other | – | – | – | – | – | – | – | – |
| S94 contributions – under a plan | – | – | – | – | – | – | – | – |
| S94A levies – under a plan | 1,039 | 360 | – | 33 | (426) | – | 1,006 | – |
| Total S94 revenue under plans | 1,039 | 360 | – | 33 | (426) | – | 1,006 | – |
| S94 not under plans | – | – | – | – | – | – | – | – |
| S93F planning agreements | – | – | – | – | – | – | – | – |
| S64 contributions | – | – | – | – | – | – | – | – |
| Total contributions | 1,039 | 360 | – | 33 | (426) | – | 1,006 | – |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 27 November 2013

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|----------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Drainage | – | | | | | | – | |
| Roads | – | | | | | | – | |
| Traffic facilities | – | | | | | | – | |
| Parking | – | | | | | | – | |
| Open space | – | | | | | | – | |
| Community facilities | – | | | | | | – | |
| Other | 1,039 | 360 | | 33 | (426) | | 1,006 | |
| Total | 1,039 | 360 | – | 33 | (426) | – | 1,006 | – |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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) 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 with member councils required to make significantly higher contributions in future years.

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

(ii) MetroPool

Council is a member of an insurance group named MetroPool which provides public liability and professional indemnity coverage for the local government area.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(ii) S94 plans

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

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

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

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

(iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

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

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 council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

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

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

| | Council's share of net income | | Council's share of net assets | |
|----------------|-------------------------------|----------------|-------------------------------|----------------|
| | Actual 2016 | Actual 2015 | Actual 2016 | Actual 2015 |
| Joint ventures | 32 | 16 | 465 | 433 |
| Associates | — | — | — | — |
| Total | 32 | 16 | 465 | 433 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(e) Summarised financial information for individually immaterial joint ventures and associates

In addition to the joint ventures and associates disclosed individually above, Council has interests in a number of individually immaterial joint ventures and associates that have still been accounted for using the equity method.

(i) Individually immaterial joint ventures

| | 2016 | 2015 |
|--|------------|------------|
| Aggregate carrying amount of individually immaterial joint ventures | 465 | 433 |
| Aggregate amounts of Council's share of individually immaterial: | | |
| Profit/(loss) from continuing operations | 32 | 16 |
| Profit/(loss) from discontinued operations | | – |
| Other comprehensive income | | – |
| Total comprehensive income – individually immaterial joint ventures | 32 | 16 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '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) | | 106,007 | 269,659 |
| a. Correction of prior period errors | 20 (c) | – | – |
| b. Changes in accounting policies (prior period effects) | 20 (d) | – | (163,987) |
| c. Other comprehensive income (excl. direct to reserves transactions) | | – | – |
| d. Net operating result for the year | | 3,665 | 335 |
| e. Distributions to/(contributions from) non-controlling Interests | | – | – |
| f. Transfers between equity | | 470 | – |
| Balance at end of the reporting period | | 110,142 | 106,007 |
| (b) Revaluation reserves | | | |
| (i) Reserves are represented by: | | | |
| – Infrastructure, property, plant and equipment revaluation reserve | | 288,232 | 281,978 |
| – 'Available for sale' financial investments revaluation reserve | | – | – |
| Total | | 288,232 | 281,978 |
| (ii) Reconciliation of movements in reserves: | | | |
| Infrastructure, property, plant and equipment revaluation reserve | | | |
| – Opening balance | | 281,978 | 279,020 |
| – Revaluations for the year | 9(a) | 6,724 | 2,958 |
| – (Impairment of revalued assets)/impairment reversals | 9(a),(c) | – | |
| – Transfer to retained earnings for asset disposals | | (470) | |
| – Correction of prior period errors | 20(c) | | |
| – Other movements (disclose here...) | | | – |
| – Balance at end of year | | 288,232 | 281,978 |
| TOTAL VALUE OF RESERVES | | 288,232 | 281,978 |
| (iii) Nature and purpose of reserves | | | |
| Infrastructure, property, plant and equipment revaluation reserve | | | |
| – The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation. | | | |
| 'Available for sale' financial investments revaluation reserve | | | |
| – The 'available for sale' financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end. | | | |
| Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve. | | | |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

| \$ '000 | Notes | Actual 2016 | Actual 2015 |
|--|-------|----------------|------------------|
| (d) Voluntary changes in accounting policies | | | |
| Provide details of the accounting policy change are to be listed here: | | | |
| – change in Community Land valuation methodology from a market value approach to the use of values provided by the Valuer General per the Local Government Code of Accounting Practice and Financial Reporting | | | (366,009) |
| In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in accounting policy have been recognised retrospectively. | | | |
| These amounted to the following equity adjustments: | | | |
| – Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods) | | | (366,009) |
| – Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end) | | | |
| Total prior period adjustments – accounting policy changes | | <u>–</u> | <u>(366,009)</u> |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

Hunter's Hill Council

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

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (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 06/10/16.

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.

Council is aware of the following 'non-adjusting events' that merit disclosure:

Regarding Hunters Hill Council's appeal against the State Government's merger proposal, a judgement was handed down in the Land & Environment Court against Council on Tuesday 20 September 2016. Council then held an Extraordinary Meeting No. 4409 on Friday 23 September 2016 to consider this matter. Council resolved to Lodge a Notice of Intention to Appeal against this decision. This was done on 27 September 2016.

Hunter's Hill Council

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

Note 24. Discontinued operations

\$ '000

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

Notes to the Financial Statements

for the year ended 30 June 2016

Note 25. Intangible assets

| | Actual | Actual |
|---------|--------|--------|
| \$ '000 | 2016 | 2015 |

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Hunter's Hill Council

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

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

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

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

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

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

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

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

| 2016 | Fair value measurement hierarchy | | | Total |
|--|---|--|--|----------------|
| | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring fair value measurements | | | | |
| Infrastructure, property, plant and equipment | | | | |
| Plant & Equipment | | | 500 | 500 |
| Office Equipment | | | 100 | 100 |
| Furniture & Fittings | | | 128 | 128 |
| Operation Land | | | 18,849 | 18,849 |
| Community Land | | | 61,894 | 61,894 |
| Buildings - Non Specialised | | | 5,323 | 5,323 |
| Buildings - Specialised | | | 11,569 | 11,569 |
| Other Structures | | | 6,265 | 6,265 |
| Roads | | | 46,312 | 46,312 |
| Footpaths | | | 7,505 | 7,505 |
| Kerb & Guttering | | | 13,662 | 13,662 |
| Stormwater Drainage | | | 7,966 | 7,966 |
| Other Infrastructure | | | 1,160 | 1,160 |
| Total infrastructure, property, plant and equipment | – | – | 181,233 | 181,233 |

| 2015 | Fair value measurement hierarchy | | | Total |
|--|---|--|--|----------------|
| | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring fair value measurements | | | | |
| Infrastructure, property, plant and equipment | | | | |
| Plant & Equipment | – | – | 522 | 522 |
| Office Equipment | – | – | 135 | 135 |
| Furniture & Fittings | – | – | 122 | 122 |
| Operation Land | – | – | 23,993 | 23,993 |
| Community Land | – | – | 55,204 | 55,204 |
| Buildings - Non Specialised | – | – | 5,384 | 5,384 |
| Buildings - Specialised | – | – | 12,054 | 12,054 |
| Other Structures | – | – | 6,227 | 6,227 |
| Roads | – | – | 46,051 | 46,051 |
| Footpaths | – | – | 7,600 | 7,600 |
| Kerb & Guttering | – | – | 13,421 | 13,421 |
| Stormwater Drainage | – | – | 7,903 | 7,903 |
| Other Infrastructure | – | – | 1,191 | 1,191 |
| Total infrastructure, property, plant and equipment | – | – | 179,807 | 179,807 |

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(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 (i.e. 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:

Land

This asset class comprises all of Council's land classified as Operational Land and Community Land under the NSW Local Government Act 1993. The key unobservable inputs to the valuation are the price per square metre and market price. The Operational Land and Community Land valuation were undertaken at 1 July 2014 and were performed by APV Valuers and Asset Management and Valuer General.

Where there is directly comparable market evidence, Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Land assets that have no comparable observable market evidence were subsequently valued at the Level 3 valuation input hierarchy using the professional judgement of a Registered Valuer adjusted for price per square metre of sales sites not in close proximity which provided only a low level of comparability.

Plant, Office Equipment, Furniture & Fittings

Council's Plant, Office Equipment and Furniture & Fittings include:

- Plant: Truck, tractors, mowers
- Fleet: Cars, Utes
- Office Equipment: Computer hardware/software, document management
- Furniture & Fittings: Desks, chairs, window coverings

Plant, Office Equipment, Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. Level 3 unobservable inputs include consumption pattern, useful life, residual value and asset condition.

Buildings and Other Structures

Buildings were valued by APV Valuers and Asset Management in July 2015. Residential properties were valued on Level 2 valuation inputs using comparable properties after adjusting for differences in attributes such as property size.

Specialised buildings were valued using the cost approach by estimating the replacement cost for each building by componentising the buildings and subsequent useful lives. Level 3 valuation inputs required Professional Judgement to estimate unobservable inputs such as residual value, useful life, consumption patterns, asset condition and remaining service potential.

Road Network Infrastructure

This asset class comprises of Road, Kerb and Channel, Structure, Car Park, Bridge, Footpath, Traffic Signs, Stormwater Drain, Stormwater Pit and were valued using Level 3 valuation inputs using the cost approach.

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

This approach estimates the replacement cost for each asset into component level with differing useful lives. While the unit rates based on square metres or similar capacity could be supported from market evidence (Level 2), other inputs such as estimated residual life, useful life, consumption patterns and asset condition required professional judgement and impacted significantly on the determination of fair value. These assets were valued using Level 3 valuation inputs.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)**a. The following tables present the changes in level 3 fair value asset classes.**

| | Operational Land | Community Land | Buildings Non- Specialised | Buildings Specialised | Total |
|---------------------------------------|---------------------|-------------------|----------------------------------|--------------------------|---------------|
| Opening balance – 1/7/14 | 23,993 | 55,204 | 5,497 | 12,002 | 96,696 |
| Purchases (GBV) | – | – | – | 283 | 283 |
| Disposals (WDV) | – | – | – | (19) | (19) |
| Depreciation and impairment | – | – | (113) | (212) | (325) |
| Closing balance – 30/6/15 | 23,993 | 55,204 | 5,384 | 12,054 | 96,635 |
| Purchases (GBV) | – | – | 55 | 30 | 85 |
| Disposals (WDV) | (5,144) | – | (116) | (303) | (5,563) |
| Depreciation and impairment | – | – | – | (212) | (212) |
| FV gains – other comprehensive income | – | 6,690 | – | – | 6,690 |
| Closing balance – 30/6/16 | 18,849 | 61,894 | 5,323 | 11,569 | 97,635 |

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

| | Other Structures | Roads | Footpaths | Kerb & Guttering | Total |
|---------------------------------------|---------------------|---------------|--------------|---------------------|---------------|
| Opening balance – 1/7/14 | 5,725 | 43,237 | 8,408 | 12,629 | 69,999 |
| Purchases (GBV) | 687 | 794 | 538 | 37 | 2,056 |
| Disposals (WDV) | (1) | – | – | – | (1) |
| Depreciation and impairment | (184) | (775) | (315) | (33) | (1,307) |
| FV gains – other comprehensive income | – | 2,795 | (1,031) | 788 | 2,552 |
| Closing balance – 30/6/15 | 6,227 | 46,051 | 7,600 | 13,421 | 73,299 |
| Purchases (GBV) | 219 | 1,209 | 173 | 362 | 1,963 |
| Disposals (WDV) | – | – | – | – | – |
| Depreciation and impairment | (215) | (948) | (268) | (121) | (1,552) |
| FV gains – other comprehensive income | 34 | – | – | – | 34 |
| Closing balance – 30/6/16 | 6,265 | 46,312 | 7,505 | 13,662 | 73,744 |

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

| | Other Road Assets | Stormwater Drainage | Total |
|---------------------------------------|-------------------------|------------------------|--------------|
| Opening balance – 1/7/14 | 1,125 | 7,512 | 8,637 |
| Purchases (GBV) | – | 155 | 155 |
| Disposals (WDV) | – | – | – |
| Depreciation and impairment | (25) | (79) | (104) |
| FV gains – other comprehensive income | 91 | 315 | 406 |
| Closing balance – 30/6/15 | 1,191 | 7,903 | 9,094 |
| Purchases (GBV) | – | 174 | 174 |
| Disposals (WDV) | – | – | – |
| Depreciation and impairment | (31) | (111) | (142) |
| FV gains – other comprehensive income | – | – | – |
| Closing balance – 30/6/16 | 1,160 | 7,966 | 9,126 |

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

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

c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

| Class | Fair Value (30/6/16) \$'000 | Valuation Technique | Unobservable Inputs | Range of Inputs (incl probable) | Relationship of unobservable inputs to Fair Value |
|--------------------------------------|-----------------------------------|------------------------|---|---|--|
| Plant | \$500 | Cost approach | Gross Replacement Cost Remaining Useful Life Residual Value | Varies significantly from asset to asset 5 - 15 years 0% - 20% | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and conditions will increase or decrease the fair value of the Plant |
| Office Equipment | \$100 | Cost approach | Gross Replacement Cost Remaining Useful Life Residual Value | Varies significantly from asset to asset 5 - 10 years 0% | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Office Equipment. |
| Furniture & Fittings | \$128 | Cost approach | Gross Replacement Cost Remaining Useful Life Residual Value | Varies significantly from asset to asset 5 - 10 years 0% | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Furniture & Fittings. |
| Land – Operational & Community | \$80,743 | Cost approach | Price per square metre | Varies significantly from asset to asset | The rate per square metre changes will increase or decrease the fair value of the Land |
| Building | \$16,892 | Cost approach | Gross Replacement Cost Remaining Useful Life Residual Value | Varies significantly from asset to asset 20 – 100 years 0% – 70% | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Buildings. |
| Other Structures | \$6,265 | Cost approach | Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value Consumption | Varies significantly from asset to asset Adequate to very high 1.5 - 120 years 0% - 50% High | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Other Structures. |
| Roads | \$46,312 | Cost approach | Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value Consumption | Varies significantly from asset to asset Adequate to very high 20 - 100 years 0% - 40% High | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Roads. |
| Footpaths | \$7,505 | Cost approach | Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value Consumption | Varies significantly from asset to asset Adequate to very high 15 – 27 years 0% - 40% Low | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Footpaths. |
| Kerb & Gutter | \$13,662 | Cost approach | Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value Consumption | Varies significantly from asset to asset Adequate to very high 7 - 100 years 0% - 40% High | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Kerb & Gutter. |
| Stormwater Drainage | \$7,966 | Cost approach | Gross Replacement Cost | Varies significantly from asset to asset | Significant changes in the gross replacement cost, asset condition or |

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

| | | | | | |
|-------------------------|---------|---------------|---|---|--|
| | | | Asset Condition Remaining Useful Life Residual Value Consumption | Adequate to high 40.5 years 0% - 40% Moderate | remaining useful life or residual value, and condition will increase or decrease the fair value of Stormwater Drain. |
| Other Infrastructure | \$1,160 | Cost approach | Gross Replacement Cost Asset Condition Remaining Useful Life Residual Value Consumption | Varies significantly from asset to asset Adequate to very high 26 - 70 years 0% - 40% High | Significant changes in the gross replacement cost, asset condition or remaining useful life or residual value, and condition will increase or decrease the fair value of Other Infrastructure. |

d. The valuation process for level 3 fair value measurements

The council engaged external, independent and qualified valuers to determine the fair value of the infrastructure assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 3 fair values are analysed at the end of each reporting period and discussed between the valuation team and Council.

As at 1 July 2015 a desktop revaluation was undertaken for land, building and other structures subject to revaluation by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows –

Asset Condition

Due a large road network infrastructure, it is not physically possible to inspect every asset for the purposes of completing a valuation. Therefore, reliance is placed on the accuracy of data held in the asset management system and its associated internal controls.

To provide assurance over the accuracy of this information, the valuation relies upon a sampling approach of 14% of the data held in the asset management system by the valuer.

Cost for land restricted in use (non-saleable) estimates the cost to replace existing land if Council had to acquire it on the open market in competition with other market participants. Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the valuer using professional judgement to take account of the differing characteristics.

Relationship between asset consumption rating scale and the level of consumed service potential

Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. An asset consumption rating scale is determined for each asset type based on the inter-relationship between a range of factors such as asset condition, obsolescence, residual value, useful life and consumption patterns.

The consumption rating scales are based on past experience of the valuers, industry guides and Council engineers and finance staff.

(5). Highest and best use

All of Council's non-financial assets are considered to being utilised for their highest and best use.



HUNTER'S HILL COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of Hunter's Hill Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

The Council is 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. 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 the financial statements that are 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 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. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

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 judgement, 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

Assurance Partners



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.

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; and
- (b) the financial statements:
 - (i) have been presented in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (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 we have become aware of during the course of the audit.

HILL ROGERS



BRETT HANGER

Partner

Dated at Sydney this 6th day of October 2016



6 October 2016

The Mayor
Hunter's Hill Council
PO Box 21
HUNTER'S HILL NSW 2110

Mayor,

Audit Report - Year Ended 30 June 2016

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

1. RESULTS FOR THE YEAR

1.1 *Operating Result*

The operating result for the year was a surplus of \$3.665 million as compared with \$335,000 in the previous year.

Assurance Partners

Practising as Hill Rogers Assurance Partners | ABN 56 435 338 966

Member of Morison KSi, an association of global independent accounting firms. Liability limited by a scheme approved under Professional Standards Legislation.



The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

| | 2016 | % of | 2015 | % of | Increase |
|--|---------------|--------------|---------------|--------------|-------------------|
| | \$000 | Total | \$000 | Total | (Decrease) |
| | | | | | \$000 |
| Revenues before capital items | | | | | |
| Rates & annual charges | 10,858 | 59% | 10,483 | 74% | 375 |
| User charges, fees & other revenues | 6,078 | 33% | 2,057 | 14% | 4,021 |
| Grants & contributions provided for operating purposes | 1,035 | 6% | 1,365 | 10% | (330) |
| Interest & investment revenue | 354 | 2% | 327 | 2% | 27 |
| | 18,325 | 100% | 14,232 | 100% | 4,093 |
| Expenses | | | | | |
| Employee benefits & costs | 5,359 | 35% | 5,265 | 36% | 94 |
| Materials, contracts & other expenses | 7,454 | 49% | 7,332 | 50% | 122 |
| Depreciation, amortisation & impairment | 2,282 | 15% | 2,019 | 14% | 263 |
| Borrowing costs | 10 | 0% | 14 | 0% | (4) |
| | 15,105 | 100% | 14,630 | 100% | 475 |
| Surplus (Deficit) before capital items | 3,220 | | (398) | | 3,618 |
| Grants & contributions provided for capital purposes | 445 | | 733 | | (288) |
| Net Surplus (Deficit) for the year | 3,665 | | 335 | | 3,330 |
| Performance Measures | | | | | |
| | 2016 | | 2015 | | |
| Operating Performance | -5.68% | | -2.86% | | |
| Own Source Operating Revenue | 89.96% | | 85.97% | | |

The above table shows an overall increase of \$3.33 million and is attributable to gains on the sale of property of \$4 million.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was -5.68% and was below the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 89.96% and exceeded the benchmark of 60%.

1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

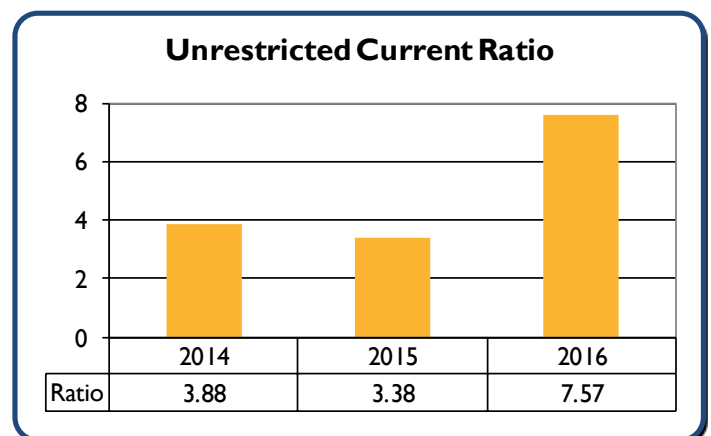
| | 2016 | 2015 |
|---|--------------|-------------|
| | \$000 | \$000 |
| Funds were provided by:- | | |
| Operating Result (as above) | 3,665 | 335 |
| Add back non funding items:- | | |
| - Depreciation, amortisation & impairment | 2,282 | 2,019 |
| - Book value of non-current assets sold | 5,512 | 113 |
| - (Surplus)/Deficit in joint ventures | (32) | (16) |
| | 11,427 | 2,451 |
| Transfers from externally restricted assets (net) | 79 | 468 |
| Transfers from internal reserves (net) | 168 | 0 |
| Net Changes in current/non-current assets & liabilities | 125 | 205 |
| | 11,799 | 3,124 |
| Funds were applied to:- | | |
| Purchase and construction of assets | (2,367) | (2,717) |
| Principal repaid on loans | (62) | (57) |
| Transfers to externally restricted assets (net) | 0 | 0 |
| Transfers to internal reserves (net) | 0 | (436) |
| | (2,429) | (3,210) |
| Increase/(Decrease) in Available Working Capital | 9,370 | (86) |

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$15.095 million representing a factor of 7.57 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$11.909 million as detailed below;

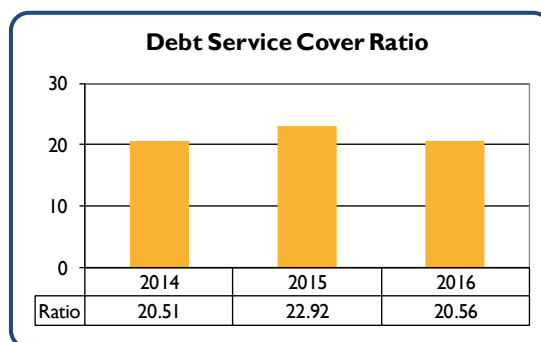
| | 2016 | 2015 | Change |
|--|---------------|--------------|--------------|
| | \$000 | \$000 | \$000 |
| Net Current Assets (Working Capital) as per Accounts | 14,529 | 5,546 | 8,983 |
| Add: Payables & provisions not expected to be realised in the next 12 months included above | 3,335 | 3,250 | 85 |
| Adjusted Net Current Assets | 17,864 | 8,796 | 9,068 |
| Add: Budgeted & expected to pay in the next 12 months | | | |
| - Borrowings | 65 | 57 | 8 |
| - Employees leave entitlements | 914 | 858 | 56 |
| - Deposits & retention moneys | 271 | 280 | (9) |
| Less: Externally restricted assets | (2,769) | (2,848) | 79 |
| Less: Internally restricted assets | (4,436) | (4,604) | 168 |
| Available Working Capital as at 30 June | 11,909 | 2,539 | 9,370 |

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

2.3 Debt

After repaying principal and interest of \$72,000, total debt as at 30 June 2016 stood at \$99,000 (2015 - \$161,000).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 20.56 to 1.



2.4 Summary

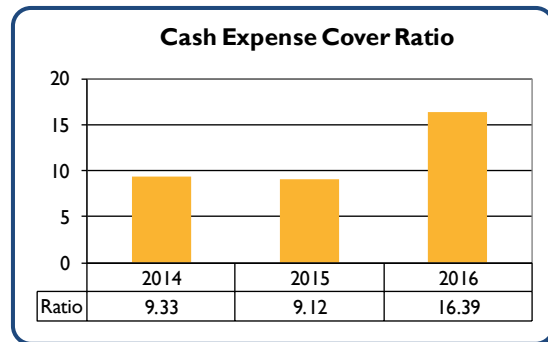
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

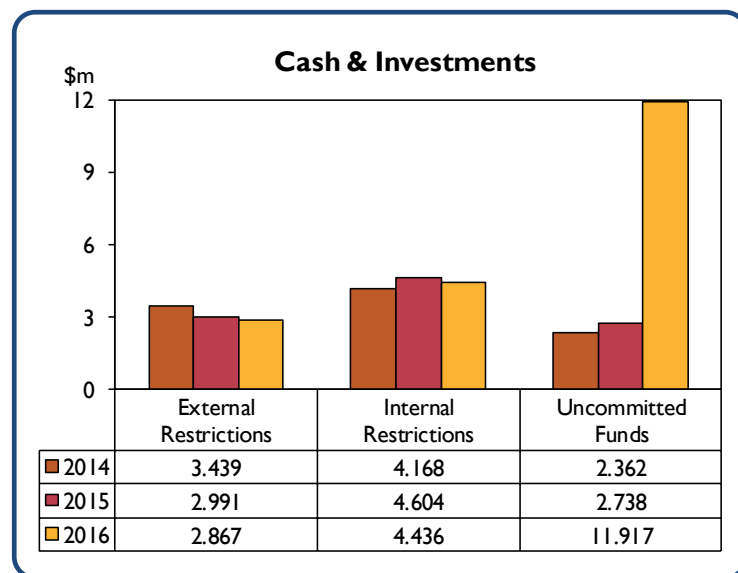
For 2016, this ratio stood at 16.39 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$19.220 million at 30 June 2016 as compared with \$10.333 million in 2015 and \$9.969 million in 2014.

The chart alongside summarises the purposes for which cash and investments securities were held.



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended loans (\$24,000), unexpended development contributions under Section 94 (\$1.006 million), unexpended grants and contributions (\$100,000), domestic waste management charges (\$246,000) and special rate levies (\$1.491 million).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's **"Reserves"**. These Reserves totalled \$4.436 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$11.917 million, which is available to provide liquidity for day to day operations.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by \$8.887 million to \$19.220 million at the close of the year.

In addition to operating activities which contributed net cash of \$2.053 million were the proceeds from the sale of assets (\$9.512 million). Cash outflows other than operating activities were used to repay loans (\$62,000) and to purchase and construct assets (\$2.616 million).

4. RECEIVABLES

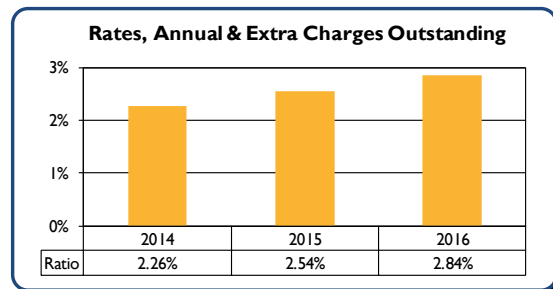
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$10.858 million and represented 58% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$11.106 million of which \$10.814 million (97%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$317,000 at the end of the year and represented 2.84% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$666,000 and mainly consisted of user charges and fees (\$179,000) and amounts due from other levels of government (\$301,000).

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.910 million. A cash reserve of \$676,000 was held at year end representing 35% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

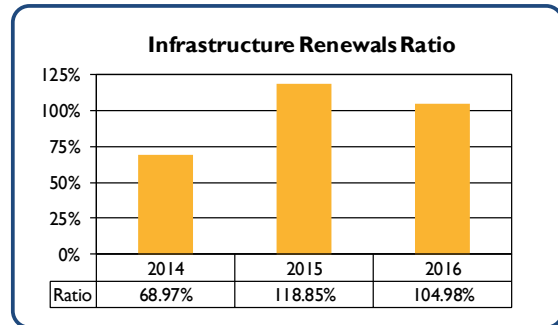
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$2.627 million and was fully funded by cash and investments.

6. INFRASTRUCTURE RENEWALS

The Infrastructure Renewals Ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2016 represented 105% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. REVALUATION OF ASSETS

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, community land and other structures were revalued. After accounting for an opening balance equity adjustment in respect to the valuation methodology for community land, a revaluation increment of \$6.724 million that was credited directly to the Asset Revaluation Reserve in Equity. Notes 1(j), 9 and 20 of the financial statements provide further details.

8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 8 August 2016 and this included our suggestions on possible ways to strengthen and/or improve procedures.

9. CONCLUSION

We wish to record our appreciation to the General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,
HILL ROGERS

BRETT HANGER
Partner

Hunter's Hill Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

**“A sense of history, A sense of community,
A place to belong, A sustainable future”**



Hunter's Hill Council

Special Schedules

for the year ended 30 June 2016

Contents

Page

Special Schedules¹

| | | |
|------------------------------|--|-----|
| Special Schedule 1 | Net Cost of Services | 2-3 |
| Special Schedule 2(a) | Statement of Long Term Debt (all purposes) | 4 |
| Special Schedule 7 | Report on Infrastructure Assets | 5-8 |
| Special Schedule 8 | Permissible Income Calculation | 9 |

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

Background

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

Hunter's Hill Council

Special Schedule 1 – Net Cost of Services
for the 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 | 1,489 | – | – | (1,489) |
| Administration | 3,214 | 203 | – | (3,011) |
| Public order and safety | | | | |
| Fire service levy, fire protection, emergency services | 428 | 34 | – | (394) |
| Animal control | 257 | 5 | – | (252) |
| Total public order and safety | 685 | 39 | – | (646) |
| Health | 102 | 60 | – | (42) |
| Environment | | | | |
| Noxious plants and insect/vermin control | 11 | – | – | (11) |
| Other environmental protection | 2 | – | – | (2) |
| Solid waste management | 2,297 | 2,666 | – | 369 |
| Street cleaning | 402 | 1 | – | (401) |
| Drainage | 284 | 175 | 35 | (74) |
| Total environment | 2,996 | 2,842 | 35 | (119) |
| Community services and education | | | | |
| Administration and education | 277 | 29 | – | (248) |
| Social protection (welfare) | 1 | – | – | (1) |
| Aged persons and disabled | 58 | 60 | – | 2 |
| Children's services | 52 | 46 | – | (6) |
| Total community services and education | 388 | 135 | – | (253) |
| Housing and community amenities | | | | |
| Street lighting | 222 | 35 | 10 | (177) |
| Town planning | 1,104 | 348 | – | (756) |
| Other community amenities | 19 | 1,628 | – | 1,609 |
| Total housing and community amenities | 1,345 | 2,011 | 10 | 676 |

Hunter's Hill Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|---|-------------------------------------|-----------------------------------|------------|----------------------|
| | | Non-capital | Capital | |
| Recreation and culture | | | | |
| Public libraries | 650 | 47 | – | (603) |
| Art galleries | 108 | 100 | – | (8) |
| Community centres and halls | 408 | 470 | – | 62 |
| Other cultural services | 156 | 84 | – | (72) |
| Sporting grounds and venues | 107 | 44 | – | (63) |
| Swimming pools | 30 | – | – | (30) |
| Parks and gardens (lakes) | 1,097 | 138 | 78 | (881) |
| Other sport and recreation | 59 | – | – | (59) |
| Total recreation and culture | 2,615 | 883 | 78 | (1,654) |
| Mining, manufacturing and construction | | | | |
| Building control | 171 | 28 | – | (143) |
| Other mining, manufacturing and construction | – | 3 | – | 3 |
| Total mining, manufacturing and const. | 171 | 31 | – | (140) |
| Transport and communication | | | | |
| Urban roads (UR) – local | 1,745 | 1,819 | 176 | 250 |
| Parking areas | 64 | 1,784 | 70 | 1,790 |
| Footpaths | 207 | 244 | 59 | 96 |
| Other transport and communication | 96 | 140 | 17 | 61 |
| Total transport and communication | 2,112 | 3,987 | 322 | 2,197 |
| Economic affairs | | | | |
| Other economic affairs | – | 2 | – | 2 |
| Total economic affairs | – | 2 | – | 2 |
| Totals – functions | 15,117 | 10,193 | 445 | (4,479) |
| General purpose revenues ⁽¹⁾ | | 8,112 | | 8,112 |
| Share of interests – joint ventures and associates using the equity method | – | 32 | | 32 |
| NET OPERATING RESULT ⁽²⁾ | 15,117 | 18,337 | 445 | 3,665 |

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

Hunter's Hill Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the 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) | | | | | | | | | | | |
| Commonwealth government | – | – | – | | | | | | | – | – |
| Treasury corporation | – | – | – | | | | | | | – | – |
| Other state government | – | – | – | | | | | | | – | – |
| Public subscription | – | – | – | | | | | | | – | – |
| Financial institutions | 57 | 104 | 161 | | 62 | | | 10 | 65 | 34 | 99 |
| Other | – | – | – | | | | | | | – | – |
| Total loans | 57 | 104 | 161 | – | 62 | – | – | 10 | 65 | 34 | 99 |
| Other long term debt | | | | | | | | | | | |
| Ratepayers advances | – | – | – | | | | | | | – | – |
| Government advances | – | – | – | | | | | | | – | – |
| Finance leases | – | – | – | | | | | | | – | – |
| Deferred payments | – | – | – | | | | | | | – | – |
| Total long term debt | – | – | – | – | – | – | – | – | – | – | – |
| Total debt | 57 | 104 | 161 | – | 62 | – | – | 10 | 65 | 34 | 99 |

Notes: excludes (i) internal loans and (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).

Hunter's Hill Council

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 | Estimated cost to bring to the agreed level of service set by Council | 2015/16 Required maintenance ^a | 2015/16 Actual maintenance | Carrying value | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|------------------|------------------------|---|---|---|----------------------------|----------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Offices/Administration | | | 82 | 74 | 3,524 | 4,076 | 0% | 80% | 20% | 0% | 0% |
| | Council Works Depot | | | 46 | 43 | 682 | 1,040 | 0% | 0% | 80% | 20% | 0% |
| | Council Public Halls | 511 | | 225 | 194 | 4,889 | 5,718 | 0% | 0% | 80% | 20% | 0% |
| | Other Buildings | 140 | | 263 | 242 | 7,797 | 11,389 | 0% | 20% | 60% | 20% | 0% |
| | Sub-total | 651 | – | 616 | 553 | 16,892 | 22,223 | 0.0% | 24.9% | 58.7% | 16.3% | 0.0% |
| Other | Other structures | 154 | | 33 | 35 | 6,265 | 6,410 | 0% | 20% | 60% | 20% | 0% |
| | Sub-total | 154 | – | 33 | 35 | 6,265 | 6,410 | 0.0% | 20.0% | 60.0% | 20.0% | 0.0% |
| Roads | Sealed roads | 805 | | 558 | 375 | 46,312 | 51,007 | 10% | 20% | 61% | 9% | 0% |
| | Footpaths | 69 | | 66 | 96 | 7,505 | 9,960 | 16% | 30% | 45% | 6% | 3% |
| | Kerb and guttering | 134 | | 6 | 4 | 13,662 | 14,327 | 20% | 30% | 35% | 8% | 7% |
| | Other road assets | | | | | 1,160 | 1,375 | 10% | 20% | 50% | 10% | 10% |
| | Sub-total | 1,008 | – | 630 | 475 | 68,639 | 76,669 | 12.6% | 23.2% | 53.9% | 8.4% | 1.9% |

Hunter's Hill Council

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 standard | Estimated cost to bring to the agreed level of service set by Council | 2015/16 Required maintenance ^a | 2015/16 Actual maintenance | Carrying value | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-------------|---------------------|---|---|---|----------------------------|----------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Stormwater | Stormwater drainage | 33 | | 196 | 166 | 7,966 | 9,187 | 9% | 22% | 56% | 12% | 1% |
| | Other | | | | | – | | | | | | |
| | Sub-total | 33 | – | 196 | 166 | 7,966 | 9,187 | 9.0% | 22.0% | 56.0% | 12.0% | 1.0% |

Hunter's Hill Council

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 standard | Estimated cost to bring to the agreed level of service set by Council | 2015/16 Required maintenance ^a | 2015/16 Actual maintenance | Carrying value | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-------------|---------------------------|---|---|---|----------------------------|----------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| | TOTAL – ALL ASSETS | 1,846 | – | 1,475 | 1,229 | 99,762 | 114,489 | 9.2% | 23.2% | 55.3% | 10.9% | 1.3% |

Notes:

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

Infrastructure asset condition assessment 'key'

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

Hunter's Hill Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

| \$ '000 | Amounts | Indicator | Prior periods | |
|---|---------------|----------------|---------------|--------|
| | 2016 | 2016 | 2015 | 2014 |
| Infrastructure asset performance indicators * consolidated | | | | |
| 1. Infrastructure renewals ratio | | | | |
| Asset renewals ⁽¹⁾ | <u>1,983</u> | 104.98% | 118.85% | 68.97% |
| Depreciation, amortisation and impairment | <u>1,889</u> | | | |
| 2. Infrastructure backlog ratio | | | | |
| Estimated cost to bring assets to a satisfactory standard | <u>1,851</u> | 2.15% | 4.56% | 8.11% |
| Carrying value of infrastructure assets | <u>86,100</u> | | | |
| 3. Asset maintenance ratio | | | | |
| Actual asset maintenance | <u>1,229</u> | 0.83 | 1.06 | 1.13 |
| Required asset maintenance | <u>1,475</u> | | | |

Notes

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

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

Hunter's Hill Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

| \$'000 | | Calculation 2015/16 | Calculation 2016/17 |
|---|-------------------------|------------------------|------------------------|
| Notional general income calculation ⁽¹⁾ | | | |
| Last year notional general income yield | a | 8,252 | 8,506 |
| Plus or minus adjustments ⁽²⁾ | b | 6 | 15 |
| Notional general income | c = (a + b) | 8,258 | 8,521 |
| 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 = d x (c – g) | – | – |
| Or plus rate peg amount | i = c x e | 198 | 153 |
| Or plus Crown land adjustment and rate peg amount | j = c x f | – | – |
| Sub-total | k = (c + g + h + i + j) | 8,457 | 8,675 |
| Plus (or minus) last year's carry forward total | l | 48 | (1) |
| Less valuation objections claimed in the previous year | m | – | – |
| Sub-total | n = (l + m) | 48 | (1) |
| Total permissible income | o = k + n | 8,505 | 8,674 |
| Less notional general income yield | p | 8,506 | 8,674 |
| Catch-up or (excess) result | q = o – p | (1) | (0) |
| 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) | (0) |

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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



HUNTER'S HILL COUNCIL
SPECIAL SCHEDULE NO. 8
INDEPENDENT AUDITORS' REPORT

REPORT ON 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 Hunter's Hill Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is 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.

Assurance Partners



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.

Audit Opinion

In our opinion, Special Schedule No. 8 of Hunter's Hill Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

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 Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

HILL ROGERS



BRETT HANGER

Partner

Dated at Sydney this 6th day of October 2016