

Hunter's Hill Council



FINANCIAL STATEMENTS

2016/2017

for the year ended 30 June 2017



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 2017

**“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 2017

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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 31 October 2017. Council has the power to amend and reissue these financial statements.
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Hunter's Hill Council

General Purpose Financial Statements
for the year ended 30 June 2017

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

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

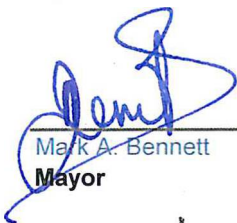
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the year, and
- 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 25 September 2017.



Mark A. Bennett
Mayor



Steve Kourepis
Acting General manager



Ross E. Williams
Councillor



Debra McFadyen
Responsible accounting officer

Hunter's Hill Council

Income Statement

for the year ended 30 June 2017

Budget ¹				Actual	Actual
2017	\$ '000		Notes	2017	2016
Income from continuing operations					
Revenue:					
11,086	Rates and annual charges	3a		11,100	10,858
1,255	User charges and fees	3b		1,602	1,111
446	Interest and investment revenue	3c		505	354
800	Other revenues	3d		873	935
757	Grants and contributions provided for operating purposes	3e,f		1,053	1,035
295	Grants and contributions provided for capital purposes	3e,f		394	445
Other income:					
68	Net gains from the disposal of assets	5		–	4,000
	Net share of interests in joint ventures and associates using the equity method	19		57	32
14,707	Total income from continuing operations			15,584	18,770
Expenses from continuing operations					
5,695	Employee benefits and on-costs	4a		5,180	5,359
5	Borrowing costs	4b		5	10
4,877	Materials and contracts	4c		6,162	5,336
2,291	Depreciation and amortisation	4d		2,249	2,282
	Impairment	4d		–	–
2,377	Other expenses	4e		2,179	2,118
	Interest and investment losses	3c		–	–
	Net losses from the disposal of assets	5		295	–
	Net share of interests in joint ventures and associates using the equity method	19		–	–
15,245	Total expenses from continuing operations			16,070	15,105
(538)	Operating result from continuing operations			(486)	3,665
Discontinued operations					
	Net profit/(loss) from discontinued operations	24		–	–
(538)	Net operating result for the year			(486)	3,665
(538)	Net operating result attributable to Council			(486)	3,665
	Net operating result attributable to non-controlling interests			–	–
(833)	Net operating result for the year before grants and contributions provided for capital purposes			(880)	3,220

¹ Original budget as approved by Council – refer Note 16

Original budget is unaudited

Hunter's Hill Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		(486)	3,665
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	16,650	6,724
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		16,650	6,724
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		16,650	6,724
Total comprehensive income for the year		16,164	10,389
Total comprehensive income attributable to Council		16,164	10,389
Total comprehensive income attributable to non-controlling interests		–	–

Hunter's Hill Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	19,826	19,220
Receivables	7	836	939
Inventories	8	8	13
Other	8	49	155
Total current assets		20,719	20,327
Non-current assets			
Receivables	7	32	32
Infrastructure, property, plant and equipment	9	197,227	181,377
Investments accounted for using the equity method	19	522	465
Total non-current assets		197,781	181,874
TOTAL ASSETS		218,500	202,201
LIABILITIES			
Current liabilities			
Payables	10	3,743	3,548
Income received in advance	10	273	292
Borrowings	10	34	65
Provisions	10	1,924	1,893
Total current liabilities		5,974	5,798
Non-current liabilities			
Borrowings	10	–	34
Provisions	10	10	17
Total non-current liabilities		10	51
TOTAL LIABILITIES		5,984	5,849
Net assets		212,516	196,352
EQUITY			
Retained earnings	20	109,656	110,142
Revaluation reserves	20	102,860	86,210
Council equity interest		212,516	196,352
Non-controlling equity interests		–	–
Total equity		212,516	196,352

Hunter's Hill Council

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

2017		Asset					2016		Asset				
		Retained	revaluation	Other	Non-	Total	Retained	revaluation	Other	Non-	Total		
\$ '000	Notes	earnings	reserve	reserves	Council controlling	equity	earnings	reserve	reserves	Council controlling	equity		
		(Refer 20b)	(Refer 20b)	(Refer 20b)	interest		(Refer 20b)	(Refer 20b)	(Refer 20b)	interest			
Opening balance (as per last year's audited accounts)		110,142	86,210	–	196,352	–	196,352	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		110,142	86,210	–	196,352	–	196,352	106,007	79,956	–	185,963	–	185,963
c. Net operating result for the year		(486)			(486)	–	(486)	3,665	–	–	3,665	–	3,665
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)		16,650		16,650		16,650	–	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		–	16,650	–	16,650	–	16,650	–	6,724	–	6,724	–	6,724
Total comprehensive income (c&d)		(486)	16,650	–	16,164	–	16,164	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		109,656	102,860	–	212,516	–	212,516	110,142	86,210	–	196,352	–	196,352

Hunter's Hill Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
11,086	Rates and annual charges		11,083	10,814
1,255	User charges and fees		1,629	1,257
446	Investment and interest revenue received		509	305
1,052	Grants and contributions		1,453	1,785
	Bonds, deposits and retention amounts received		394	256
868	Other		1,886	1,647
Payments:				
(5,695)	Employee benefits and on-costs		(5,156)	(5,272)
(4,877)	Materials and contracts		(5,856)	(5,954)
(5)	Borrowing costs		(6)	(12)
	Bonds, deposits and retention amounts refunded		(386)	(218)
(2,377)	Other		(2,946)	(2,555)
	Net cash from boundary adjustments		–	–
<u>1,753</u>	Net cash provided (or used in) operating activities	11b	<u>2,604</u>	<u>2,053</u>
Cash flows from investing activities				
Receipts:				
148	Sale of infrastructure, property, plant and equipment		86	9,512
Payments:				
(2,784)	Purchase of infrastructure, property, plant and equipment		(2,019)	(2,616)
<u>(2,636)</u>	Net cash provided (or used in) investing activities		<u>(1,933)</u>	<u>6,896</u>
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(65)	Repayment of borrowings and advances		(65)	(62)
<u>(65)</u>	Net cash flow provided (used in) financing activities		<u>(65)</u>	<u>(62)</u>
<u>(948)</u>	Net increase/(decrease) in cash and cash equivalents		<u>606</u>	<u>8,887</u>
8,022	Plus: cash and cash equivalents – beginning of year	11a	19,220	10,333
<u>7,074</u>	Cash and cash equivalents – end of the year	11a	<u>19,826</u>	<u>19,220</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	–	–
	Total cash, cash equivalents and investments		<u>19,826</u>	<u>19,220</u>

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 2017

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Hunter's Hill Council

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

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

New and amended standards adopted by Council

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

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11], this standard had no significant impact on reporting financial statement•.

Early adoption of standards

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

(b) Revenue recognition

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

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

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

Rates, annual charges, grants and contributions

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

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.

Hunter's Hill Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

User charges and fees

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

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

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

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

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

The Consolidated Fund

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

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

- General purpose operations

The Trust Fund

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

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

County Councils

Council is not a member of any county councils.

Interests in other entities

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Hunter's Hill Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

Joint arrangements

Council has no interest in any joint arrangements.

(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 Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

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

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

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

(e) Impairment of assets

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

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

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

(f) Cash and cash equivalents

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

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

(g) Inventories

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

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

(ii) Inventory held for distribution

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

(h) Investments and other financial assets

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

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

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

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

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

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Stormwater drainage
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Office Equipment
- Office Furniture

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

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

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

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

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

Depreciation

Land is not depreciated.

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

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Vehicles	5 to 8 years
- Other plant and equipment	5 to 15 years
- Playground equipment	5 to 50 years
- Benches, seats etc.	10 to 50 years
- Buildings	50 to 100 years
- Drains	80 to 100 years
- Sealed roads: surface	23 to 200 years
- Sealed roads: structure	23 to 200 years
- Road pavements	23 to 200 years
- Kerb, gutter and footpaths	23 to 200 years
- Other infrastructure	30 years

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(j) Payables

These amounts represent liabilities for 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.

(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.

(q) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised

in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

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

Hunter's Hill Council

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

Note 1. Summary of significant accounting policies (continued)

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.

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 2017 was \$511,388.93

The amount of additional contributions included in the total employer contribution advised above is \$65,000

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$122,679.80 as at 30 June 2017

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 Mutual Management Services Ltd, 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 Mutual management Service Ltd taking into account their audited figures for the year ended 30 June 2017.

(o) Crown reserves

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

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

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

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

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 Financial Instruments (December 2009)

AASB 15 Revenue from Contracts with Customers

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)

AASB 2014-1 Amendments to Australian Accounting Standards (Part E)

AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)AASB 1057 Application of Australian Accounting Standards

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 Leases

AASB 16 Leases (Appendix D)

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Nor-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities
AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these 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.

(q) Rounding of amounts

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

(r) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	289	1,489	1,489	(289)	(1,489)	(1,489)	–	–	–	–
Administration	199	568	203	4,676	3,464	3,214	(4,477)	(2,896)	(3,011)	–	–	29,899	29,358
Public order and safety	11	6	39	727	731	685	(716)	(725)	(646)	–	–	38	47
Health	72	65	60	118	107	102	(46)	(42)	(42)	–	–	2	1
Environment	2,801	2,846	2,877	2,957	2,927	2,996	(156)	(81)	(119)	48	89	79	79
Community services and education	231	274	135	569	580	388	(338)	(306)	(253)	129	81	23,960	18,268
Housing and community amenities	394	450	2,009	1,248	1,644	1,333	(854)	(1,194)	676	39	34	21,142	19,650
Recreation and culture	891	1,079	961	2,442	2,479	2,615	(1,551)	(1,400)	(1,654)	25	47	61,472	51,613
Mining, manufacturing and construction	31	25	31	–	188	171	31	(163)	(140)	–	–	67	82
Transport and communication	1,689	1,572	4,309	2,212	2,459	2,112	(523)	(887)	2,197	25	285	81,319	82,638
Economic affairs	1	1	2	7	2	–	(6)	(1)	2	–	–	–	–
Total functions and activities	6,320	6,886	10,626	15,245	16,070	15,105	(8,925)	(9,184)	(4,479)	266	536	217,978	201,736
Share of gains/(losses) in associates and joint ventures (using the equity method)		57	32		–	–	–	57	32		–	522	465
General purpose income ¹	8,387	8,641	8,112			–	8,387	8,641	8,112	694	474		–
Operating result from continuing operations	14,707	15,584	18,770	15,245	16,070	15,105	(538)	(486)	3,665	960	1,010	218,500	202,201

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 2017

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

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste 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.

FUEL AND ENERGY

Includes gas supplies.

AGRICULTURE

Includes the administration of agricultural services; supervision and regulation of the agricultural industry; operation of flood control and irrigation systems; and operation of support services to farmers, including vet services, pest control services, crop inspection, and crop grading 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 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		7,252	7,093
Business		219	224
Total ordinary rates		7,471	7,317
Special rates			
Environmental		170	166
Infrastructure		360	353
Community facilities		335	328
Other		243	238
Total special rates		1,108	1,085
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		2,462	2,397
Section 611 charges		59	59
Total annual charges		2,521	2,456
TOTAL RATES AND ANNUAL CHARGES		11,100	10,858

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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		5	6
Waste management services (non-domestic)		148	149
Total user charges		153	155
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services		24	26
Planning and building regulation		378	285
Section 149 certificates (EPA Act)		51	50
Section 603 certificates		19	21
Total fees and charges – statutory/regulatory		472	382
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Community centres		175	172
Fire and emergency services levy (FESL) implementation		356	–
Lease rentals		13	13
Leaseback fees – Council vehicles		32	34
Park rents		70	76
Parking fees		159	182
Restoration charges		172	97
Total fees and charges – other		977	574
TOTAL USER CHARGES AND FEES		1,602	1,111

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		27	27
– Interest earned on investments (interest and coupon payment income)		478	327
TOTAL INTEREST AND INVESTMENT REVENUE		505	354
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		27	27
General Council cash and investments		449	294
Restricted investments/funds – external:			
Development contributions			
– Section 94		29	33
Total interest and investment revenue recognised		505	354
(d) Other revenues			
Rental income – other council properties		298	266
Fines		10	6
Fines – parking		207	260
Commissions and agency fees		37	39
Sundry rents and charges		246	289
Waste rebate		75	75
TOTAL OTHER REVENUE		873	935

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	447	298	–	–
Financial assistance – local roads component	213	142	–	–
Pensioners' rates subsidies – general component	34	34	–	–
Total general purpose	694	474	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	15	16	–	–
Community care	81	79	–	–
Environmental protection	33	–	–	–
Library	48	47	–	–
Recreation and culture	–	–	25	–
Stormwater drainage	–	91	–	–
Street lighting	34	34	–	–
Traffic route subsidy	5	6	–	–
Transport (roads to recovery)	20	193	–	–
Transport (other roads and bridges funding)	–	–	–	70
Other	5	–	–	–
Total specific purpose	241	466	25	70
Total grants	935	940	25	70
Grant revenue is attributable to:				
– Commonwealth funding	709	635	25	70
– State funding	226	305	–	–
– Other funding	–	–	–	–
	935	940	25	70

Hunter's Hill Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	332	360
Total developer contributions 17	–	–	332	360
Other contributions:				
Kerb and gutter	5	5	–	–
Recreation and culture	–	–	22	–
RMS contributions (regional roads, block grant)	74	72	15	15
Other	39	18	–	–
Total other contributions	118	95	37	15
Total contributions	118	95	369	375
TOTAL GRANTS AND CONTRIBUTIONS	1,053	1,035	394	445

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(g) Unspent 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	1,106	1,156
Add: grants and contributions recognised in the current period but not yet spent:	503	540
Less: grants and contributions recognised in a previous reporting period now spent:	(545)	(590)
Net increase (decrease) in restricted assets during the period	(42)	(50)
Unexpended and held as restricted assets	<u><u>1,064</u></u>	<u><u>1,106</u></u>
Comprising:		
– Specific purpose unexpended grants	96	100
– Developer contributions	968	1,006
	<u><u>1,064</u></u>	<u><u>1,106</u></u>

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		3,935	3,921
Travel expenses		76	85
Employee leave entitlements (ELE)		518	578
Superannuation		511	565
Workers' compensation insurance		89	88
Fringe benefit tax (FBT)		37	54
Training costs (other than salaries and wages)		52	84
Total employee costs		5,218	5,375
Less: capitalised costs		(38)	(16)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>5,180</u>	<u>5,359</u>
Number of 'full-time equivalent' employees (FTE) at year end		57	57
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		5	10
Total interest bearing liability costs		5	10
Less: capitalised costs		-	-
Total interest bearing liability costs expensed		5	10
(ii) Other borrowing costs			
Nil		-	-
Total other borrowing costs		-	-
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>5</u>	<u>10</u>

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		766	801
Contractor and consultancy costs		4,120	3,782
Auditors remuneration ⁽¹⁾		114	76
Legal expenses:			
– Legal expenses: planning and development		853	459
– Legal expenses: other		309	206
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		16	17
Total materials and contracts		6,178	5,341
Less: capitalised costs		(16)	(5)
TOTAL MATERIALS AND CONTRACTS		6,162	5,336
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		45	–
Remuneration for audit and other assurance services		45	–
Total Auditor-General remuneration		45	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		15	29
– Audit and review of financial statements: internal auditors		54	47
Remuneration for audit and other assurance services		69	76
Total remuneration of other Council's Auditors		69	76
Total Auditor remuneration		114	76
2. Operating lease payments are attributable to:			
Other		16	17
		16	17

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		144	167
Office equipment		57	88
Furniture and fittings		19	17
Infrastructure:			
– Buildings – non-specialised		119	116
– Buildings – specialised		214	212
– Other structures		208	203
– Roads		951	948
– Footpaths		272	268
– Kerb and guttering		122	121
– Other road assets		31	31
– Stormwater drainage		112	111
Total gross depreciation and amortisation costs		2,249	2,282
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		2,249	2,282

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		18	36
Bad and doubtful debts		18	10
Bank charges		42	39
– Department of planning levy		57	55
– NSW fire brigade levy		424	419
– Regional library		713	650
– Other contributions/levies		38	38
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		132	129
Councillors' expenses (incl. mayor) – other (excluding fees above)		27	21
Donations, contributions and assistance to other organisations (Section 356)		18	10
Election expenses		1	–
Electricity and heating		140	144
Insurance		134	152
Printing and stationery		59	50
Street lighting		226	222
Subscriptions and publications		56	67
Telephone and communications		35	36
Total other expenses		2,179	2,118
<u>TOTAL OTHER EXPENSES</u>		<u>2,179</u>	<u>2,118</u>

Hunter's Hill Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
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		86	79
Less: carrying amount of plant and equipment assets sold/written off		(89)	(53)
Net gain/(loss) on disposal		(3)	26
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(208)	–
Net gain/(loss) on disposal		(208)	–
Bus shelter and structure			
Proceeds from disposal – Bus shelter and structure		–	–
Less: carrying amount of Bus shelter and structure assets sold/written off		(84)	(12)
Net gain/(loss) on disposal		(84)	(12)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(295)	4,000

Hunter's Hill Council

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

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		585	–	383	–
Cash-equivalent assets ¹					
– Deposits at call		440	–	942	–
– Short-term deposits		18,801	–	17,895	–
Total cash and cash equivalents		19,826	–	19,220	–
Investments (Note 6b)					
Nil					
Total investments		–	–	–	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		19,826	–	19,220	–

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	19,826	–	19,220	–
attributable to:				
External restrictions (refer below)	2,909	–	2,867	–
Internal restrictions (refer below)	4,657	–	4,436	–
Unrestricted	12,260	–	11,917	–
	19,826	–	19,220	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

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

External restrictions – other

Developer contributions – general (D)	1,006	361	(399)	968
Specific purpose unexpended grants (F)	100	–	(4)	96
Domestic waste management (G)	246	42		288
Other special levies (G)	1,491	1,113	(1,047)	1,557
External restrictions – other	2,843	1,516	(1,450)	2,909
Total external restrictions	2,867	1,516	(1,474)	2,909

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	524	61		585
Employees leave entitlement	676	525	(498)	703
Deposits, retentions and bonds	2,627	8		2,635
Construction of buildings	249			249
Elections	101	20		121
Insurance reserve	59			59
Office equipment	105	149		254
Road reconstruction	45		(45)	–
Other	50	22	(21)	51
Total internal restrictions	4,436	785	(564)	4,657
TOTAL RESTRICTIONS	7,303	2,301	(2,038)	7,566

- 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 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		288	21	271	21
Interest and extra charges		18	11	14	11
User charges and fees		140	–	179	–
Accrued revenues					
– Interest on investments		67	–	75	–
– Other income accruals		104	–	111	–
Government grants and subsidies		9	–	15	–
Net GST receivable		229	–	286	–
Total		855	32	951	32
Less: provision for impairment					
User charges and fees		(19)	–	(12)	–
Total provision for impairment – receivables		(19)	–	(12)	–
TOTAL NET RECEIVABLES		836	32	939	32
Externally restricted receivables					
Domestic waste management		70	–	69	–
Total external restrictions		70	–	69	–
Internally restricted receivables					
Nil		–	–	–	–
Internally restricted receivables		–	–	–	–
Unrestricted receivables		766	32	870	32
TOTAL NET RECEIVABLES		836	32	939	32

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% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Hunter's Hill Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		8	–	13	–
Total inventories at cost		8	–	13	–
TOTAL INVENTORIES		8	–	13	–
(b) Other assets					
Prepayments		49	–	155	–
TOTAL OTHER ASSETS		49	–	155	–
Externally restricted assets					
There are no restrictions applicable to the above assets.					
Total unrestricted assets		57	–	168	–
TOTAL INVENTORIES AND OTHER ASSETS		57	–	168	–

Hunter's Hill Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and	Net carrying amount
\$ '000												
Capital work in progress	144	–	144	153	8			(80)		225	–	225
Plant and equipment	1,302	802	500		225	(89)	(144)			1,348	856	492
Office equipment	1,598	1,498	100	13			(57)			1,173	1,117	56
Furniture and fittings	268	140	128	2	30		(19)			300	159	141
Land:												
– Operational land	18,849	–	18,849							18,849	–	18,849
– Community land	61,894	–	61,894						16,650	78,544	–	78,544
Infrastructure:												
– Buildings – non-specialised	7,090	1,767	5,323	29			(119)	13		7,132	1,886	5,246
– Buildings – specialised	15,333	3,764	11,569	118	37		(214)	34		15,522	3,978	11,544
– Other structures	8,451	2,186	6,265	293	42	(84)	(208)	22		8,717	2,387	6,330
– Roads	53,202	6,890	46,312	543	22	(96)	(951)			53,525	7,695	45,830
– Footpaths	10,133	2,628	7,505	238		(100)	(272)	11		10,211	2,829	7,382
– Kerb and guttering	14,687	1,025	13,662	47		(12)	(122)			14,721	1,146	13,575
– Other road assets	1,304	144	1,160				(31)			1,304	175	1,129
– Stormwater drainage	9,360	1,394	7,966	30			(112)			9,390	1,506	7,884
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	203,615	22,238	181,377	1,466	364	(381)	(2,249)	–	16,650	220,961	23,734	197,227

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 2017

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 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		730	–	429	–
Goods and services – capital expenditure		36	–	225	–
Accrued expenses:					
– Borrowings		1	–	2	–
– Other expenditure accruals		341	–	265	–
Security bonds, deposits and retentions		2,635	–	2,627	–
Total payables		3,743	–	3,548	–
Income received in advance					
Payments received in advance		273	–	292	–
Total income received in advance		273	–	292	–
Borrowings					
Loans – secured ¹		34	–	65	34
Total borrowings		34	–	65	34
Provisions					
Employee benefits:					
Annual leave		610	–	591	–
Sick leave		45	–	19	–
Long service leave		1,251	10	1,264	17
Other leave		18	–	19	–
Sub-total – aggregate employee benefits		1,924	10	1,893	17
Total provisions		1,924	10	1,893	17
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,974	10	5,798	51
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		169	–	167	–
Liabilities relating to externally restricted assets		169	–	167	–
Total liabilities relating to restricted assets		169	–	167	–
Total liabilities relating to unrestricted assets		5,805	10	5,631	51
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,974	10	5,798	51

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 2017

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

\$ '000	Actual 2017	Actual 2016
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(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	1,001	979
Payables – security bonds, deposits and retentions	2,389	2,356
	<u>3,390</u>	<u>3,335</u>

Note 10b. Description of and movements in provisions

Nil

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	591	341	(322)			610
Sick leave	19	41	(15)			45
Long service leave	1,281	142	(162)			1,261
Other leave (enter detai	19	–	(1)			18
TOTAL	1,910	524	(500)	–	–	1,934

- 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	19,826	19,220
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		19,826	19,220
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(486)	3,665
Adjust for non-cash items:			
Depreciation and amortisation		2,249	2,282
Net losses/(gains) on disposal of assets		295	(4,000)
Share of net (profits) or losses of associates/joint ventures		(57)	(32)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		96	93
Increase/(decrease) in provision for doubtful debts		7	7
Decrease/(increase) in inventories		5	(4)
Decrease/(increase) in other assets		106	(38)
Increase/(decrease) in payables		301	(129)
Increase/(decrease) in accrued interest payable		(1)	(2)
Increase/(decrease) in other accrued expenses payable		76	34
Increase/(decrease) in other liabilities		(11)	90
Increase/(decrease) in employee leave entitlements		24	87
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		2,604	2,053

Hunter's Hill Council

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

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

\$ '000	Notes	Actual 2017	Actual 2016
(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 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Nil			
(b) Finance lease commitments			
Nil			

Hunter's Hill Council

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

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(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		7	23
Later than 5 years		—	—
Total non-cancellable operating lease commitments		23	39

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.

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 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(642)</u>	-4.24%	-5.68%	-2.86%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>15,133</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>14,080</u>	90.68%	89.96%	85.97%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>15,527</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>17,740</u>	7.35x	7.57x	3.38x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,415</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>1,612</u>	23.03x	20.56x	22.92x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>70</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>338</u>	2.95%	2.84%	2.54%	< 5%
Rates, annual and extra charges collectible	<u>11,444</u>				Metro <10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>19,826</u>	16.50 mths	16.4 mths	9.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,201</u>				

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 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
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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 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	19,826	19,220	19,826	19,220
Investments				
Receivables	868	971	868	971
Total financial assets	20,694	20,191	20,694	20,191
Financial liabilities				
Payables	3,743	3,548	3,743	3,548
Loans/advances	34	99	34	99
Total financial liabilities	3,777	3,647	3,777	3,647

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 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council 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.

2017	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	198	198	(198)	(198)
2016				
Possible impact of a 10% movement in market values				
Possible impact of a 1% movement in interest rates	192	192	(192)	(192)

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	93%	49%	91%	79%
Overdue	7%	51%	9%	21%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	–	–	376
< 1 year overdue	0 – 30 days overdue	262	273	265	69
1 – 2 years overdue	31 – 60 days overdue	13	13	6	75
2 – 5 years overdue	61 – 90 days overdue	13	136		70
> 5 years overdue	> 91 days overdue	21	156	21	101
		309	578	292	691

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	12	5
+ new provisions recognised during the year	7	7
Balance at the end of the year	19	12

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Bank overdraft	–							–	–
Trade/other payables	2,635	1,108						3,743	3,743
Loans and advances		34						34	34
Lease liabilities								–	–
Total financial liabilities	2,635	1,142	–	–	–	–	–	3,777	3,777
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

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–		–	
Trade/other payables	3,743		3,548	
Loans and advances – fixed interest rate	34	7.34%	99	7.30%
	<u>3,777</u>		<u>3,647</u>	

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 27 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*	-----	-----
REVENUES					
User charges and fees	1,255	1,602	347	28%	F
Due entirely to funds received for work towards introduction of the Fire & Emergency Services Levy \$356F					
Interest and investment revenue	446	505	59	13%	F
Return greater than estimated due to more funds being available for investment and interest rate higher than anticipated \$59F					
Operating grants and contributions	757	1,053	296	39%	F
The major component of this variance is the receipt of half of the 2017-2018 Financial Assistance Grant in 2016-2017 \$220F. Other Grants comprising of this variance are the balance of the Roads to Recovery Grant from previous financial year 2015-2016 \$20F, Habital Restoration lower Parramatta River Estuary \$33F and Back to Business Week \$5F. Operating contribution for Sporting Ground \$8F and Parental contribution \$12F					
Capital grants and contributions	295	394	99	34%	F
Developer Contribution were greater than estimated budget \$52F, Grant funding and Contribution received for Bedlam Bay Lighting \$44 F and Restoration of German Howitzwer \$9F.					
Net gains from disposal of assets	68	–	(68)	(100%)	U
Deferred replacement of plant \$68U (due to amalgamation proposal)					
Joint ventures and associates - net profits	–	57	57	0%	F
Increase in Councils Equity Share in Civic Risk \$57F					

Hunter's Hill Council

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

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance* -----	
EXPENSES				
Materials and contracts	4,877	6,162	(1,285)	(26%) U
Payments to contractors for Fire & Emergency Service Levy work \$295U, Restriction on replacement of permanent staff has increased the use of contract staff \$25U. Planning legal costs, \$653U due to challenges in the Land and Environment Court and other legal costs \$281U, due to amalgamation challenge which will be recoverable. Audit fees increased \$31U				
Net losses from disposal of assets	–	295	(295)	0% U
Disposal due to replacement of infrastructure - Road and Footpaths \$208U and Buffalo Creek Reserve playground \$84 U				

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	1,753	2,604	851	48.5%	F
Favourable variance from receipt of half of the 2017-2018 Financial Assistance Grant \$220F, Funding for Fire & Emergency Services Levy \$356F, Bedlam Bay Lighting \$44F, Restoration of German Howitzwer \$9F and Developer Contribution \$56F. Other variance is due to Planning and building regulation \$93F, Investment and interest rate \$59F and Rental Income from Henley Long Day Care \$40F					
Cash flows from investing activities	(2,636)	(1,933)	703	(26.7%)	F
Office Refurbishment and Henley Community Centre Fire Service Upgrade under Community Facility Levy were deferred subject to the outcome of the State Government's merger proposal \$703					

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	–	–	–	–	–	–	–
Roads	–	–	–	–	–	–	–	–
Traffic facilities	–	–	–	–	–	–	–	–
Parking	–	–	–	–	–	–	–	–
Open space	–	–	–	–	–	–	–	–
Community facilities	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–
S94 contributions – under a plan	–	–	–	–	–	–	–	–
S94A levies – under a plan	1,006	332	–	29	(399)	–	968	–
Total S94 revenue under plans	1,006	332	–	29	(399)	–	968	–
S94 not under plans	–	–	–	–	–	–	–	–
S93F planning agreements	–	–	–	–	–	–	–	–
S64 contributions	–	–	–	–	–	–	–	–
Total contributions	1,006	332	–	29	(399)	–	968	–

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	1,006	332		29	(399)		968	
Total	1,006	332	–	29	(399)	–	968	–

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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) Mutual Management Services Ltd

Mutual Management Services Ltd (MMS) is a company limited by guarantee and was created to provide administration services to the three CivicRisk self-insurance pools CiviRisk West (previously West Pool), CiviRisk Metro (previously Metro Pool) and CiviRisk Mutual (previously United Independent Pools).

MMS operates as a mutual for the benefit of the members who are the sixteen Councils which make up our combined CiviRisk membership being Blacktown, Blue Mountains, Burwood, Bayside, Cumberland, Camden, Hawkesbury, Fairfield, Hunters Hill, Kiama, Lane Cove, Liverpool, Penrith, Parramatta, Shellharbour and Wollongong.

The CiviRisk self-insurance pools have been operating since the late 1980's when Councils could not purchase insurance in the market and the Councils decided to work together to share the risks and self-fund their claims costs.

MMS was created to move the administration staff and responsibilities from West Pool (now CivicRisk West) to a separate entity that provides the services to all three pools. The creation of obligations rather than a change in the underlying operations.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

(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.

(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.

Hunter's Hill Council

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

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

\$ '000

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 2017

Note 19. Interests in other entities

\$ '000

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

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 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	57	32	522	465
Associates	—	—	—	—
Total	57	32	522	465

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
CiviRisk Metro	Joint Venture	Equity Accounting	475	411
CiviRisk Mutual	Joint Venture	Equity accounting	47	54
Total carrying amounts – material joint ventures and associates			522	465

(b) Details

Name of entity	Principal activity	Place of business
CiviRisk Metro	Liability insurance and risk management	Penrith NSW
CiviRisk Mutual	Liability insurance and risk management	Penrith NSW

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
CiviRisk Metro	–	–	4%	4%	4%	4%	14%	14%
CiviRisk Mutual	–	–	1%	1%	1%	1%	6%	6%

(d) Summarised financial information for joint ventures and associates

Statement of financial position	CiviRisk Metro		CiviRisk Mutual	
	2017	2016	2017	2016
Current assets				
Cash and cash equivalents	27	28	505	171
Other current assets	5,738	5,998	6,239	4,177
Non-current assets	18,168	16,408	5,889	8,539
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	1,443	1,659	2,890	2,800
Other current liabilities	150	206	423	346
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	10,730	11,147	2,830	2,454
Net assets	11,610	9,422	6,490	7,287
Reconciliation of the carrying amount				
Opening net assets (1 July)	9,422	8,372	7,286	7,517
Profit/(loss) for the period	2,189	1,050	(796)	(231)
Closing net assets	11,611	9,422	6,490	7,286
Council's share of net assets (%)	4.1%	4.4%	0.7%	0.7%
Council's share of net assets (\$)	475	411	47	54

	CiviRisk Metro		CiviRisk Mutual	
	2017	2016	2017	2016
Statement of comprehensive income				
Income	2,781	3,590	8,302	8,551
Interest income	1,089	773	584	423
Depreciation and amortisation	–	–	–	–
Interest expense	–	–	–	–
Income tax expense	–	–	–	–
Other expenses	(1,681)	(3,313)	(9,682)	(9,205)
Profit/(loss) from continuing operations	2,189	1,050	(796)	(231)
Profit/(loss) from discontinued operations	–	–	–	–
Profit/(loss) for period	2,189	1,050	(796)	(231)
Other comprehensive income	–	–	–	–
Total comprehensive income	2,189	1,050	(796)	(231)
			#	
Share of income – Council (%)	2.9%	3.3%	0.9%	0.7%
Profit/(loss) – Council (\$)	63	35	(6)	(3)
Total comprehensive income – Council (\$)	63	35	(6)	(3)
Dividends received by Council	–	–	–	–

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		110,142	106,007
a. Correction of prior period errors	20 (c)	–	–
b. Changes in accounting policies (prior period effects)	20 (d)	–	–
c. Other comprehensive income (excl. direct to reserves transactions)		–	–
d. Net operating result for the year		(486)	3,665
e. Distributions to/(contributions from) non-controlling Interests		–	–
f. Transfers between equity		–	470
g. Other changes (disclosure required)		–	–
Balance at end of the reporting period		<u>109,656</u>	<u>110,142</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		102,860	86,210
– 'Available for sale' financial investments revaluation reserve		–	–
Total		<u>102,860</u>	<u>86,210</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		86,210	79,956
– Revaluations for the year	9(a)	16,650	6,724
– (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		<u>102,860</u>	<u>86,210</u>
TOTAL VALUE OF RESERVES		<u>102,860</u>	<u>86,210</u>
(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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
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(c) Correction of error/s relating to a previous reporting period

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

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Hunter's Hill Council

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

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual	Actual	Actual	Actual
\$ '000	2017	2017	2017	2017

Council utilises only a general fund for its operations.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

	2017	2017	2016	2016
\$ '000	Current	Non-current	Current	Non-current

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 2017

Note 23. Events occurring after the reporting date

\$ '000

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

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

Accordingly, the 'authorised for issue' date is 31/10/17.

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

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

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

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

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

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

On 27 July 2017, the NSW Government announced that Council mergers before the courts would not proceed. As a result, Council's pending merger with Ryde and Lane Cove Councils has been abandoned. Council was successful in its appeal against the State Government's merger proposal. A judgement was handed down in the Court of Appeal on Monday 31 July 2017, with the Court awarding costs to Council.

Hunter's Hill Council

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

Note 24. Discontinued operations

	Actual	Actual
\$ '000	2017	2016

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

Hunter's Hill Council

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

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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:

2017	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			492	492
Office Equipment			56	56
Furniture & Fittings			141	141
Operation Land			18,849	18,849
Community Land			78,544	78,544
Buildings - Non Specialised			5,246	5,246
Buildings - Specialised			11,544	11,544
Other Structures			6,330	6,330
Roads			45,830	45,830
Footpaths			7,382	7,382
Kerb & Guttering			13,575	13,575
Stormwater Drainage			7,884	7,884
Other Infrastructure			1,129	1,129
Total infrastructure, property, plant and equipment	–	–	197,002	197,002

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 2017

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:

Infrastructure, property, plant and equipment

This asset class comprises all of Councils 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 valuation was undertaken at 1 July 2014 and was performed by APV Valuers and Asset Management. The Community Land valuation was performed by Valuer General at 1 July 2016.

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.

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 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.

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.

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

Hunter's Hill Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and Equipment	Office Equipment	Operational Land	Community Land	Total
Opening balance – 1/7/15	522	135	23,993	55,204	79,854
Purchases (GBV)	198	53	–	–	251
Disposals (WDV)	(53)	–	(5,144)	–	(5,197)
Depreciation and impairment	(167)	(88)	–	–	(255)
FV gains – other comprehensive income	–	–	–	6,690	6,690
Closing balance – 30/6/16	500	100	18,849	61,894	81,343
Purchases (GBV)	225	13	–	–	238
Disposals (WDV)	(89)	–	–	–	(89)
Depreciation and impairment	(144)	(57)	–	–	(201)
FV gains – other comprehensive income	–	–	–	16,650	16,650
Closing balance – 30/6/17	492	56	18,849	78,544	97,941

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings Non- Specialised	Buildings Specialised	Other Structures	Roads	Total
Opening balance – 1/7/15	5,384	12,054	6,227	46,051	69,716
Purchases (GBV)	55	30	219	1,209	1,513
Disposals (WDV)	–	(303)	–	–	(303)
Depreciation and impairment	(116)	(212)	(215)	(948)	(1,491)
FV gains – other comprehensive income	–	–	34	–	34
Closing balance – 30/6/16	5,323	11,569	6,265	46,312	69,469
Purchases (GBV)	42	189	357	565	1,153
Disposals (WDV)	–	–	–	(96)	(96)
Depreciation and impairment	(119)	(214)	(292)	(951)	(1,576)
FV gains – other comprehensive income	–	–	–	–	–
Closing balance – 30/6/17	5,246	11,544	6,330	45,830	68,950

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Footpaths	Kerb & Guttering	Other Road Assets	Stormwater Drainage	Total
Opening balance – 1/7/15	7,600	13,421	1,191	7,903	30,115
Purchases (GBV)	173	362	–	174	709
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	(268)	(121)	(31)	(111)	(531)
FV gains – other comprehensive income	–	–	–	–	–
Closing balance – 30/6/16	7,505	13,662	1,160	7,966	30,293
Purchases (GBV)	249	47	–	30	326
Disposals (WDV)	(100)	(12)	–	–	(112)
Depreciation and impairment	(272)	(122)	(31)	(112)	(537)
FV gains – other comprehensive income	–	–	–	–	–
Closing balance – 30/6/17	7,382	13,575	1,129	7,884	29,970

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

required professional judgement and impacted significantly on the determination of fair value. These assets were valued using Level 3 valuation inputs.

(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.

Infrastructure, property, plant and equipment

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Community Land	78,544	Land values obtained from the NSW Valuer General	Land value and land area
Operational Land	18,849	Cost approach	Price per square
Plant	492	Cost approach	Gross Replacement Cost, remaining useful life and residual value
Office Equipment	56	Cost approach	Gross Replacement Cost, remaining useful life and residual value
Furniture & Fittings	141	Cost approach	Gross Replacement Cost, remaining useful life and residual value
Buildings	16,790	Cost approach	Gross Replacement Cost, asset condition, remaining useful life and residual value
Other Structures	6,330	Cost approach	Gross Replacement Cost, asset condition, remaining useful life and residual value
Roads	45,830	Cost approach	Gross Replacement Cost, asset condition, remaining useful life and residual value
Footpaths	7,382	Cost approach	Gross Replacement Cost, asset condition, remaining useful life and residual value
Kerb & Gutter	13,575	Cost approach	Gross Replacement Cost, asset condition, remaining useful life and residual value
Other road assets	1,129	Cost approach	Gross Replacement Cost, asset condition, remaining useful life and residual value
Stormwater Drainage	7,884	Cost approach	Gross Replacement Cost, asset condition, remaining useful life and residual value

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

Hunter's Hill Council

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

Note 27. Fair value measurement (continued)

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

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

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	1,118,178
Post-employment benefits	159,192
Other long-term benefits	18,499
Termination benefits	—
Total	<u>1,295,869</u>

Hunter's Hill Council

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

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Hunter's Hill Council

To the Councillors of Hunter's Hill Council

Opinion

I have audited the accompanying financial statements of Hunter's Hill Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 6 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

Renee Meimaroglou
Director, Financial Audit Services

31 October 2017
SYDNEY

Mr Mark Bennett
Mayor
Hunter's Hill Council
PO Box 21
HUNTER'S HILL NSW 2110

Contact: Renee Meimaroglou
Phone no: 02 9275 7100
Our ref: D1728322/1742

31 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Hunter's Hill Council**





I have audited the general purpose financial statements of Hunter's Hill Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

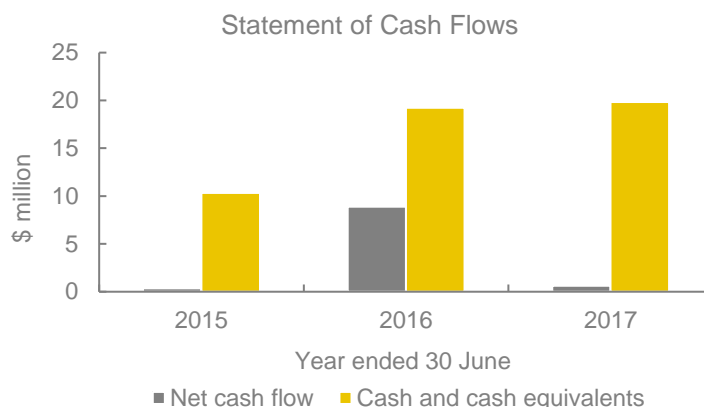
	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	11.1	10.9	1.8 
Grants and contributions revenue	1.4	1.5	6.7 
Operating result for the year	(0.5)	3.7	113.5 
Net operating result before capital amounts	(0.9)	3.2	128.1 

The operating result for the year was a deficit of \$0.5 million (2016: \$3.7 million surplus) and included a depreciation expense of \$2.2 million (2016: \$2.3 million). The lower operating result is mainly due to a one-off property sale that occurred in the year ending 30 June 2016.

Rates and annual charges represent 71 percent of Council's total revenues and increased by 1.8 percent from the previous year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$606,000 to \$19.8 million at the close of the year.



In addition to operating activities which contributed net cash inflow of \$2.6 million (2016: \$2.1 million), there were proceeds from the sale of assets (\$0.86 million). Cash outflows other than operating activities were used to purchase and construct assets (\$2.0 million) and repay loans (\$0.65 million).

FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	2.8	2.9	Cash and investments amounted \$19.8 million at 30 June 2017 (2016: \$19.2 million). The increase is mainly due to lower capital expenditure compared to the previous year.
Internal restrictions	4.7	4.4	
Unrestricted	12.3	11.9	
Cash and investments	19.8	19.2	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions and specific purpose grants, unexpended loans and domestic waste charges.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$4.7 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$12.3 million, which is available to provide liquidity for day to day operations.

Debt

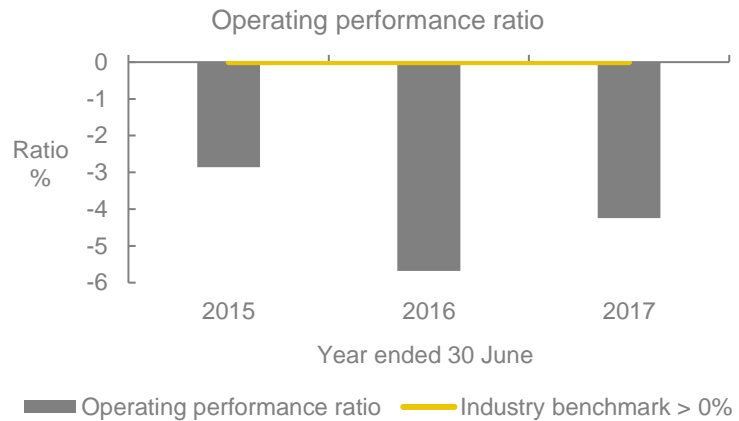
After repaying principal and interest of \$70,000 during the financial year, total debt as at 30 June 2017 is \$34,000 (2016: \$99,000).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

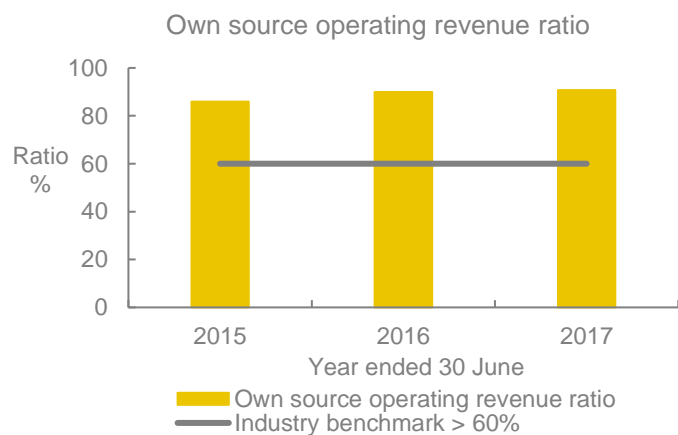
The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Council's operating performance indicator of -4.24 percent (-5.68 percent in 2016) continues to be below the benchmark due to the operating deficit before capital grants and contributions and asset sales.

Own source operating revenue ratio

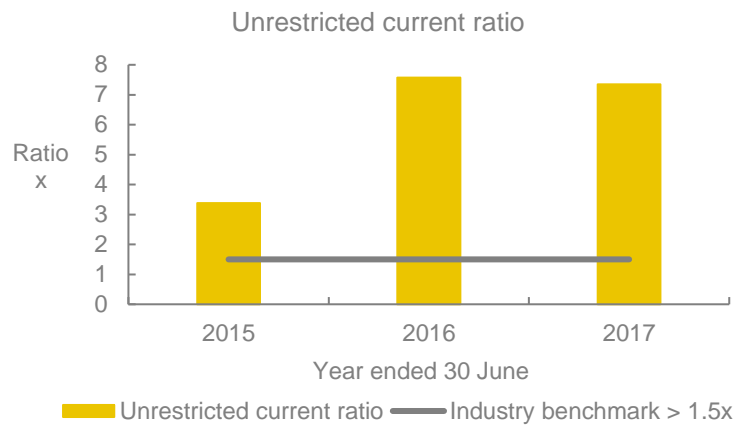
The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio was 91 percent in 2016-17 (90 percent in 2016), exceeding the benchmark of 60 percent.

Unrestricted current ratio

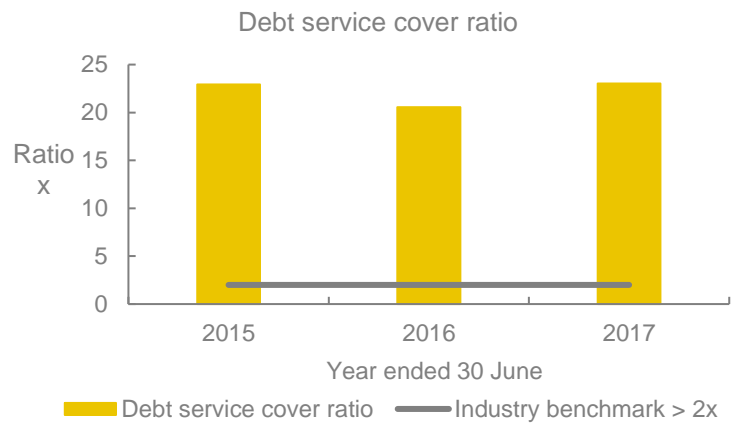
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio was 7.35 as at 30 June 2017 (7.57 in 2016) and exceeded the benchmark of 1.5 times. The improvement in the ratio between 2015 and 2016 was due to the proceeds from significant property sales in 2016.

Debt service cover ratio

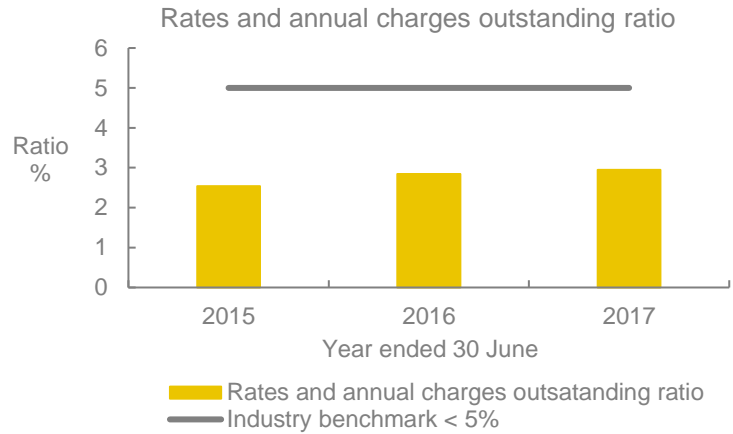
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2017 is 23.0 (20.6 in 2016). This improvement is mainly due to Council's reducing debt.

Rates and annual charges outstanding ratio

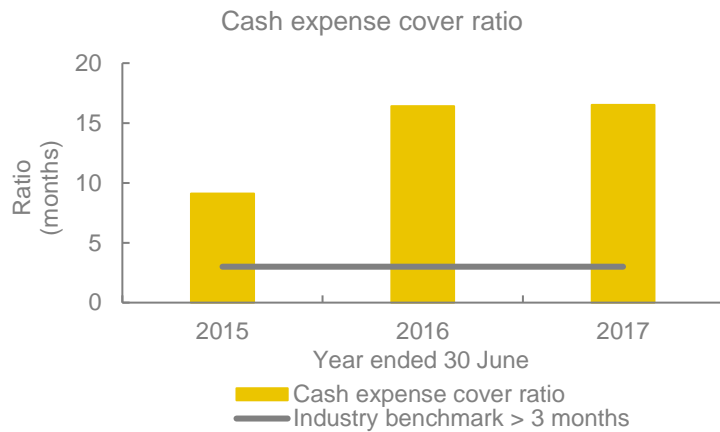
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 5 per cent for metro councils.



The rates and annual charges outstanding ratio stood at 3.0 percent as at 30 June 2017 (2.8 percent in 2016) and continues to better the industry benchmark of being below 5 percent.

Cash expense cover ratio

This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

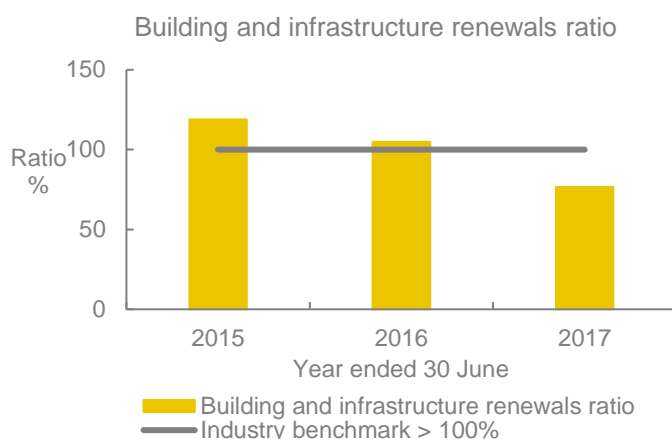


Council's cash expense cover ratio was over sixteen months and continues to easily exceed the benchmark of three months.

Building and infrastructure renewals ratio

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in Council's Special Schedule 7 which has not been audited.



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 77 percent (105 percent in 2016) of the depreciation charges for those assets; below the benchmark of 100 percent. The decrease in the ratio can be attributed to some renewal works being deferred to 2017-18.

OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments.

Asset Revaluations

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 was revalued. This resulted in a net increase of \$16.7 million recognised directly in Asset Revaluation Reserves.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Renee Meimaroglou
Director, Financial Audit Services

31 October 2017
SYDNEY

cc: Mr Barry Smith, General Manager
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Hunter's Hill Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

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



Hunter's Hill Council

Special Purpose Financial Statements for the year ended 30 June 2017

Council has not formally declared any operations as business activities in the context of National Competition Policy

Hunter's Hill Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

**“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 2017

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	5-7
Special Schedule 8	Permissible Income Calculation	8

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 2017

\$'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	3,464	568	–	(2,896)
Public order and safety				
Fire service levy, fire protection, emergency services	428	2	–	(426)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	303	4	–	(299)
Other	–	–	–	–
Total public order and safety	731	6	–	(725)
Health	107	65	–	(42)
Environment				
Noxious plants and insect/vermin control	12	–	–	(12)
Other environmental protection	–	4	–	4
Solid waste management	2,277	2,724	–	447
Street cleaning	333	1	–	(332)
Drainage	305	117	–	(188)
Stormwater management	–	–	–	–
Total environment	2,927	2,846	–	(81)
Community services and education				
Administration and education	286	39	–	(247)
Social protection (welfare)	4	1	–	(3)
Aged persons and disabled	232	148	–	(84)
Children's services	58	86	–	28
Total community services and education	580	274	–	(306)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	226	34	–	(192)
Town planning	1,412	341	–	(1,071)
Other community amenities	6	75	–	69
Total housing and community amenities	1,644	450	–	(1,194)
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Hunter's Hill Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	713	48	–	(665)
Museums	–	–	–	–
Art galleries	102	107	–	5
Community centres and halls	268	395	–	127
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	212	98	9	(105)
Sporting grounds and venues	124	8	42	(74)
Swimming pools	26	–	–	(26)
Parks and gardens (lakes)	978	175	197	(606)
Other sport and recreation	56	–	–	(56)
Total recreation and culture	2,479	831	248	(1,400)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	188	19	–	(169)
Other mining, manufacturing and construction	–	6	–	6
Total mining, manufacturing and const.	188	25	–	(163)
Transport and communication				
Urban roads (UR) – local	1,927	665	15	(1,247)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	61	366	–	305
Footpaths	360	254	135	29
Aerodromes	–	–	–	–
Other transport and communication	111	141	(4)	26
Total transport and communication	2,459	1,426	146	(887)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	2	1	–	(1)
Total economic affairs	2	1	–	(1)
Totals – functions	16,070	6,492	394	(9,184)
General purpose revenues ⁽¹⁾		8,641		8,641
Share of interests – joint ventures and associates using the equity method	–	57		57
NET OPERATING RESULT ⁽²⁾	16,070	15,190	394	(486)

(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 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	65	34	99		65			5	34	–	34
Other	–	–	–							–	–
Total loans	65	34	99	–	65	–	–	5	34	–	34
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	65	34	99	–	65	–	–	5	34	–	34

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 2017

\$'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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/Administrative	–	–	79	73	3,453	4,544	0%	80%	20%	0%	0%
	Council Works Depot	–	–	41	53	671	913	0%	10%	80%	10%	0%
	Council Public Halls	509	470	100	121	6,686	9,429	0%	0%	80%	20%	0%
	Other Buildings	93	80	234	262	5,980	7,768	0%	20%	60%	20%	0%
	Sub-total	602	550	454	509	16,790	22,654	0.0%	23.3%	61.1%	15.6%	0.0%
Other	Other structures	50	50	50	28	6,330	8,717	5%	35%	50%	10%	0%
	Sub-total	50	50	50	28	6,330	8,717	5.0%	35.0%	50.0%	10.0%	0.0%
Roads	Sealed roads	769	968	466	485	45,830	53,525	10%	30%	51%	9%	0%
	Footpaths	45	257	92	104	7,382	10,211	16%	35%	40%	6%	3%
	Other road assets	–	–	–	–	1,129	1,304	20%	30%	35%	8%	7%
	Kerb and guttering	132	123	5	5	13,575	14,721	10%	20%	50%	10%	10%
	Sub-total	946	1,348	563	594	67,916	79,761	10.9%	28.8%	49.1%	8.8%	2.3%

Hunter's Hill Council

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

\$'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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	33	134	131	136	7,884	9,390	9%	22%	55%	13%	1%
	Sub-total	33	134	131	136	7,884	9,390	9.0%	22.0%	55.0%	13.0%	1.0%
	TOTAL – ALL ASSETS	1,631	2,082	1,198	1,267	98,920	120,522	8.3%	27.7%	51.9%	10.5%	1.6%

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 2017

\$ '000	Amounts	Indicator	Prior periods	
	2017	2017	2016	2015
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>1,460</u>	76.56%	104.98%	118.85%
Depreciation, amortisation and impairment	<u>1,907</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>1,631</u>	1.65%	2.15%	4.56%
Net carrying amount of infrastructure assets	<u>98,920</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>1,267</u>	1.06	0.83	1.06
Required asset maintenance	<u>1,198</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>2,082</u>	1.73%	1.25%	1.00%
Gross replacement cost	<u>120,522</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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	8,506	8,674
Plus or minus adjustments ⁽²⁾	b	15	(1)
Notional general income	c = (a + b)	8,521	8,673
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	(333)
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = (c - g) x e	153	125
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	8,675	8,465
Plus (or minus) last year's carry forward total	l	(1)	(0)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	(1)	(0)
Total permissible income	o = k + n	8,674	8,465
Less notional general income yield	p	8,674	8,463
Catch-up or (excess) result	q = o – p	(0)	2
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	(0)	2

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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Hunter's Hill Council

To the Councillors of Hunter's Hill Council

Opinion

I 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 (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Hunter's Hill Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 6 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Renee Meimaroglou
Director, Financial Audit Services

31 October 2017
SYDNEY