

# Hunter's Hill Council



## FINANCIAL STATEMENTS

# 2017/2018

for the year ended 30 June 2018



*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 2018

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**“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 2018

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### Overview

Hunter's Hill Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

22 Alexandra Street  
Hunters Hill NSW 2110

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.huntreshill.nsw.gov.au](http://www.huntreshill.nsw.gov.au).

Hunter's Hill Council

**General Purpose Financial Statements**  
for the year ended 30 June 2018

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:**

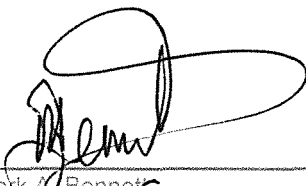
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

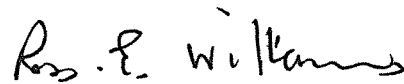
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

**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 10 September 2018.**



Mark A. Bennett  
**Mayor**  
10 September 2018



**Councillor**  
10 September 2018



Barry Smith  
**General Manager**  
10 September 2018



Debra McFadyen  
**Responsible Accounting Officer**  
10 September 2018

## Hunter's Hill Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
10,948	Rates and annual charges	3a	10,966	11,100
1,293	User charges and fees	3b	1,408	1,602
464	Interest and investment revenue	3c	490	505
925	Other revenues	3d	891	873
765	Grants and contributions provided for operating purposes	3e,f	869	1,053
325	Grants and contributions provided for capital purposes	3e,f	569	394
<b>Other income:</b>				
58	Net gains from the disposal of assets	5	–	–
6	Net share of interests in joint ventures and associates using the equity method	14	72	57
<b>14,784</b>	<b>Total income from continuing operations</b>		<b>15,265</b>	<b>15,584</b>
<b>Expenses from continuing operations</b>				
5,687	Employee benefits and on-costs	4a	5,330	5,180
1	Borrowing costs	4b	1	5
4,890	Materials and contracts	4c	5,080	6,162
2,205	Depreciation and amortisation	4d	2,244	2,249
	Impairment of investments	4d	–	–
2,521	Other expenses	4e	2,421	2,179
	Interest and investment losses	3c	–	–
	Net losses from the disposal of assets	5	198	295
	Net share of interests in joint ventures and associates using the equity method	14	–	–
<b>15,304</b>	<b>Total expenses from continuing operations</b>		<b>15,274</b>	<b>16,070</b>
<b>(520)</b>	<b>Operating result from continuing operations</b>		<b>(9)</b>	<b>(486)</b>
	<b>Operating result from discontinued operations</b>		<b>–</b>	<b>–</b>
<b>(520)</b>	<b>Net operating result for the year</b>		<b>(9)</b>	<b>(486)</b>
(520)	Net operating result attributable to Council		(9)	(486)
	Net operating result attributable to non-controlling interests		–	–
<b>(845)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(578)</b>	<b>(880)</b>

## Hunter's Hill Council

## Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>(9)</b>	<b>(486)</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	13,371	16,650
Adjustment to correct prior period errors			–
Impairment (loss) reversal relating to IPP&E	10a	–	–
Other comprehensive income – joint ventures and associates	14b	–	–
Other movements			–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>13,371</b>	<b>16,650</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil		–	–
<b>Total other comprehensive income for the year</b>		<b>13,371</b>	<b>16,650</b>
<b>Total comprehensive income for the year</b>		<b>13,362</b>	<b>16,164</b>
Total comprehensive income attributable to Council		13,362	16,164
Total comprehensive income attributable to non-controlling interests			–

## Hunter's Hill Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	20,527	19,826
Receivables	7	970	836
Inventories	8	5	8
Other	8	109	49
<b>Total current assets</b>		<b>21,611</b>	<b>20,719</b>
<b>Non-current assets</b>			
Receivables	7	32	32
Infrastructure, property, plant and equipment	9	209,182	197,227
Investments accounted for using the equity method	14	594	522
<b>Total non-current assets</b>		<b>209,808</b>	<b>197,781</b>
<b>TOTAL ASSETS</b>		<b>231,419</b>	<b>218,500</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	3,315	3,743
Income received in advance	10	293	273
Borrowings	10	–	34
Provisions	11	1,915	1,924
<b>Total current liabilities</b>		<b>5,523</b>	<b>5,974</b>
<b>Non-current liabilities</b>			
Provisions	11	18	10
<b>Total non-current liabilities</b>		<b>18</b>	<b>10</b>
<b>TOTAL LIABILITIES</b>		<b>5,541</b>	<b>5,984</b>
<b>Net assets</b>		<b>225,878</b>	<b>212,516</b>
<b>EQUITY</b>			
Accumulated surplus	12	109,647	109,656
Revaluation reserves	12	116,231	102,860
Council equity interest		225,878	212,516
<b>Total equity</b>		<b>225,878</b>	<b>212,516</b>

## Hunter's Hill Council

Statement of Changes in Equity  
for the year ended 30 June 2018

\$ '000	Notes	2018						2017							
		Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Other reserves (specify)	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Other reserves (specify)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b>		109,656	102,860	–	–	<b>212,516</b>	–	<b>212,516</b>	110,142	86,210	–	–	<b>196,352</b>	–	<b>196,352</b>
Correction of prior period errors	12 (b)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in accounting policies	12 (c)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Restated opening balance</b>		<b>109,656</b>	<b>102,860</b>	<b>–</b>	<b>–</b>	<b>212,516</b>	<b>–</b>	<b>212,516</b>	<b>110,142</b>	<b>86,210</b>	<b>–</b>	<b>–</b>	<b>196,352</b>	<b>–</b>	<b>196,352</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		(9)	–	–	–	(9)	–	(9)	(486)	–	–	–	(486)	–	(486)
Correction of prior period errors	12(b)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Changes in accounting policies	12 (c)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Net operating result for the year</b>		<b>(9)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(9)</b>	<b>–</b>	<b>(9)</b>	<b>(486)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(486)</b>	<b>–</b>	<b>(486)</b>
<b>Other comprehensive income</b>															
– Correction of prior period errors	12 (b)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Changes in accounting policies	12 (c)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Gain (loss) on revaluation of IPP&E	9a	–	13,371	–	–	<b>13,371</b>	–	<b>13,371</b>	–	16,650	–	–	<b>16,650</b>	–	<b>16,650</b>
– Impairment (loss) reversal relating to IPP&E	9a	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	14b	–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>13,371</b>	<b>–</b>	<b>–</b>	<b>13,371</b>	<b>–</b>	<b>13,371</b>	<b>–</b>	<b>16,650</b>	<b>–</b>	<b>–</b>	<b>16,650</b>	<b>–</b>	<b>16,650</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>(9)</b>	<b>13,371</b>	<b>–</b>	<b>–</b>	<b>13,362</b>	<b>–</b>	<b>13,362</b>	<b>(486)</b>	<b>16,650</b>	<b>–</b>	<b>–</b>	<b>16,164</b>	<b>–</b>	<b>16,164</b>
Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers between equity items		–	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>109,647</b>	<b>116,231</b>	<b>–</b>	<b>–</b>	<b>225,878</b>	<b>–</b>	<b>225,878</b>	<b>109,656</b>	<b>102,860</b>	<b>–</b>	<b>–</b>	<b>212,516</b>	<b>–</b>	<b>212,516</b>



## Hunter's Hill Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
10,948	Rates and annual charges		11,019	11,083
1,293	User charges and fees		1,403	1,629
464	Investment and interest revenue received		487	509
1,090	Grants and contributions		1,526	1,453
–	Bonds, deposits and retention amounts received		273	394
989	Other		1,190	1,886
<b>Payments:</b>				
(5,687)	Employee benefits and on-costs		(5,331)	(5,156)
(4,890)	Materials and contracts		(6,123)	(5,856)
(1)	Borrowing costs		(2)	(6)
–	Bonds, deposits and retention amounts refunded		(185)	(386)
(2,425)	Other		(2,483)	(2,946)
<b>1,781</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>1,774</b>	<b>2,604</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
157	Sale of infrastructure, property, plant and equipment		108	86
<b>Payments:</b>				
(2,032)	Purchase of infrastructure, property, plant and equipment		(1,147)	(2,019)
<b>(1,875)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(1,039)</b>	<b>(1,933)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(34)	Repayment of borrowings and advances		(34)	(65)
<b>(34)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(34)</b>	<b>(65)</b>
<b>(128)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>701</b>	<b>606</b>
17,233	Plus: <b>cash and cash equivalents – beginning of year</b>	13a	19,826	19,220
<b>17,105</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>20,527</b>	<b>19,826</b>
<b>Total cash, cash equivalents and investments</b>			<b>20,527</b>	<b>19,826</b>

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 10/09/2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **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.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

#### **(a) New and amended standards adopted by Council**

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

#### **(b) 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 infrastructure, property, plant and equipment and investment property.

#### **(c) 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

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) employee benefit provisions – refer Note 11.

#### **Significant judgements in applying the Council's accounting policies**

- (iii) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets 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:

- Hunters Hill Municipal Council

##### **(b) 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 other assets 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 other assets subject to Council's control have been included in 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.

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

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

#### **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.

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## 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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Our Heritage and Built Environment	372	359	1,267	1,606	(895)	(1,247)	–	–	65	66
Our Community and Lifestyle	1,289	1,101	3,297	3,417	(2,008)	(2,316)	130	154	100,451	98,683
Our Environment	2,966	2,813	3,375	3,362	(409)	(549)	110	48	8,057	8,010
Moving Around	1,232	1,149	3,281	3,563	(2,049)	(2,414)	187	277	86,883	81,319
Our Council	9,406	10,162	4,054	4,122	5,352	6,040	334	481	35,963	30,422
<b>Total functions and activities</b>	<b>15,265</b>	<b>15,584</b>	<b>15,274</b>	<b>16,070</b>	<b>(9)</b>	<b>(486)</b>	<b>761</b>	<b>960</b>	<b>231,419</b>	<b>218,500</b>

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### 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:**

##### **Our Heritage and Built Environment**

Development Control, Heritage and Conservation and Forward Planning - Preserving our heritage buildings, garden areas, parks & reserves, views, waterfront access, streetscapes and tree canopy are a focus for Hunter's Hill Council. We also aim to accommodate increased population by using our existing housing and by new buildings that exemplify architectural excellence, which preserve heritage and character and demonstrate ecologically sustainable principles. We endeavour to support local businesses and village centres.

##### **Our Community and Lifestyle**

Community Development, Aged and Disabled, Youth Services, Children's Services, Library Services, Recreation and Parks, Community Buildings and Emergency Services - Providing a caring and safe community where people enjoy living is fundamental to our spirit of inclusiveness. A community where healthy activities are encouraged and a strong sense of community and connection amongst residents is what makes Hunters Hill special. Council also focusses on the provision of a range of services and facilities to foster connection and actively promote cultural development.

##### **Our Environment**

Environmental Control, Waste Management, Roads and Drainage and Recreation and Parks - Council works in partnership with the community to achieve the preservation and restoration of our bushland and waterways. Council fights to balance environmental, social and economic interests for current and future generations in Hunters Hill. Included in these key environmental goals are Council's commitment to identifying and planning opportunities for developing an ecologically sustainable community.

##### **Moving Around**

Roads and Drainage, Traffic and Parking - Council focusses on safe and orderly movement and coordination of vehicular, pedestrian, bicycle and public transport traffic throughout the municipality. We will manage traffic to ensure safety and plan and integrate networks to identify potential improvements.

##### **Our Council**

Continuous Improvement, Management and Council Support, Information Systems, Human Resources, Financial Management and Internal Audit, Accounting Operations and Community Buildings - Hunter's Hill Council seeks to encourage community engagement, provides quality customer service and innovative management as well as being efficient, effective and sustainable. Council ensures the responsible management of its financial resources and continues to meet its statutory requirements.

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	7,360	7,252
Business	221	219
<b>Total ordinary rates</b>	<b>7,581</b>	<b>7,471</b>
<b>Special rates</b>		
Environmental	172	170
Infrastructure	365	360
Community facilities	–	335
Other	246	243
<b>Total special rates</b>	<b>783</b>	<b>1,108</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,541	2,462
Section 611 charges	61	59
<b>Total annual charges</b>	<b>2,602</b>	<b>2,521</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>10,966</b>	<b>11,100</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy for rates and annual charges

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 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Domestic waste management services	8	5
Waste management services (non-domestic)	155	148
<b>Total specific user charges</b>	<b>163</b>	<b>153</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	21	24
Planning and building regulation	346	378
Section 149 certificates (EPA Act)	51	51
Section 603 certificates	19	19
<b>Total fees and charges – statutory/regulatory</b>	<b>437</b>	<b>472</b>

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Community centres	184	175
Fire and emergency services levy (FESL) implementation	–	356
Lease rentals	22	13
Leaseback fees – Council vehicles	29	32
Park rents	103	70
Parking fees	176	159
Restoration charges	294	172
<b>Total fees and charges – other</b>	<b>808</b>	<b>977</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>1,408</b>	<b>1,602</b>

**Accounting policy for user charges and fees**

User charges and fees (including parking fees) are recognised as revenue when the service has been provided.

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	23	27
– Cash and investments	467	478
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>490</u></b>	<b><u>505</u></b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	23	27
General Council cash and investments	439	449
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	28	29
<b>Total interest and investment revenue recognised</b>	<b><u>490</u></b>	<b><u>505</u></b>

**Accounting policy for interest and investment revenue**

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

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – other council properties		339	298
Fines		14	10
Fines – parking		220	207
Commissions and agency fees		50	37
Sundry rents and charges		208	246
Waste rebate		60	75
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>891</u></b>	<b><u>873</u></b>

#### **Accounting policy for other revenue**

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.

Parking fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	149	295	–	–
Financial assistance – local roads component	72	141	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance – general component	157	152	–	–
Financial assistance – local roads component	75	72	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	28	34	–	–
<b>Total general purpose</b>	<b>481</b>	<b>694</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	14	15	–	–
Community care	82	81	–	–
Environmental protection	96	33	–	–
Library	48	48	–	–
Recreation and culture	–	–	–	25
Street lighting	34	34	–	–
Traffic route subsidy	6	5	–	–
Transport (roads to recovery)	–	20	–	–
Other	–	5	–	–
<b>Total specific purpose</b>	<b>280</b>	<b>241</b>	<b>–</b>	<b>25</b>
<b>Total grants</b>	<b>761</b>	<b>935</b>	<b>–</b>	<b>25</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	453	660	–	–
– State funding	308	275	–	25
	<b>761</b>	<b>935</b>	<b>–</b>	<b>25</b>

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	–	–
S 7.11 – contributions towards amenities/services		–	–	554	332
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>554</b>	<b>332</b>
<b>Total developer contributions</b>	22	<b>–</b>	<b>–</b>	<b>554</b>	<b>332</b>

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions (continued)</b>				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Kerb and gutter	14	5	–	–
Recreation and culture	–	–	–	22
RMS contributions (regional roads, block grant)	75	74	15	15
Other	19	39	–	–
<b>Total other contributions – cash</b>	<b>108</b>	<b>118</b>	<b>15</b>	<b>37</b>
<b>Total other contributions</b>	<b>108</b>	<b>118</b>	<b>15</b>	<b>37</b>
<b>Total contributions</b>	<b>108</b>	<b>118</b>	<b>569</b>	<b>369</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>	<b><u>869</u></b>	<b><u>1,053</u></b>	<b><u>569</u></b>	<b><u>394</u></b>

**Accounting policy for contributions**

Control over grants and contributions 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 unsued 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.

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	47	101
<b>Add:</b> operating grants recognised in the current period but not yet spent	156	91
<b>Add:</b> operating grants received for the provision of goods and services in a future period		–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(111)	(145)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>92</u>	<u>47</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	49	–
<b>Add:</b> capital grants recognised in the current period but not yet spent		51
<b>Add:</b> capital grants received for the provision of goods and services in a future period		–
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(49)	(2)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>–</u>	<u>49</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	968	1,006
<b>Add:</b> contributions recognised in the current period but not yet spent	582	361
<b>Add:</b> contributions received for the provision of goods and services in a future period		–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(37)	(399)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>1,513</u>	<u>968</u>



## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	4,089	3,935
Travel expenses	74	76
Employee leave entitlements (ELE)	503	518
Superannuation	506	511
Workers' compensation insurance	82	89
Fringe benefit tax (FBT)	43	37
Training costs (other than salaries and wages)	46	52
<b>Total employee costs</b>	<b>5,343</b>	<b>5,218</b>
Less: capitalised costs	(13)	(38)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>5,330</u></b>	<b><u>5,180</u></b>
Number of 'full-time equivalent' employees (FTE) at year end	52	57

#### Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

#### 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.

#### Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore 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 – refer to Note 16 for more information.

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1	5
<b>Total interest bearing liability costs</b>		<b>1</b>	<b>5</b>
Less: capitalised costs		–	–
<b>Total interest bearing liability costs expensed</b>		<b>1</b>	<b>5</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>Total other borrowing costs</b>		<b>–</b>	<b>–</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>1</u></b>	<b><u>5</u></b>

**Accounting policy for 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.

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	804	766
Contractor and consultancy costs	3,663	4,120
Auditors remuneration <sup>(2)</sup>	91	114
Legal expenses:		
– Legal expenses: planning and development	449	853
– Legal expenses: other	60	309
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	16	16
<b>Total materials and contracts</b>	<b>5,083</b>	<b>6,178</b>
Less: capitalised costs	(3)	(16)
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>	<b><u>5,080</u></b>	<b><u>6,162</u></b>
<b>1. Operating lease payments are attributable to:</b>		
Other	16	16
	<b>16</b>	<b>16</b>

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Materials and contracts (continued)</b>		
<b>2. Auditor remuneration</b>		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council – NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	44	45
<b>Remuneration for audit and other assurance services</b>	<b>44</b>	<b>45</b>
<b>Total Auditor-General remuneration</b>	<b>44</b>	<b>45</b>
<b>Non NSW Auditor-General audit firms:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	–	15
Audit and review of financial statements: internal auditors	47	54
<b>Remuneration for audit and other assurance services</b>	<b>47</b>	<b>69</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>47</b>	<b>69</b>
<b>Total Auditor remuneration</b>	<b>91</b>	<b>114</b>

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		115	144
Office equipment		53	57
Furniture and fittings		18	19
<b>Infrastructure:</b>			
– Buildings – non-specialised		124	119
– Buildings – specialised		215	214
– Other structures		221	208
– Roads		958	951
– Footpaths		272	272
– Kerb and guttering		122	122
– Other road assets		33	31
– Stormwater drainage		113	112
<b>Total gross depreciation and amortisation costs</b>		<b>2,244</b>	<b>2,249</b>
Less: capitalised costs		–	–
<b>Total depreciation and amortisation costs</b>		<b>2,244</b>	<b>2,249</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u></b>			
		<b>2,244</b>	<b>2,249</b>

**Accounting policy for depreciation, amortisation and impairment expenses****Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	46	18
Bad and doubtful debts	2	18
Bank charges	42	42
Contributions/levies to other levels of government		
– Department of planning levy	58	57
– NSW fire brigade levy	436	424
– Regional library	723	713
– Other contributions/levies	39	38
Councillor expenses – mayoral fee	42	41
Councillor expenses – councillors' fees	135	132
Councillors' expenses (incl. mayor) – other (excluding fees above)	58	27
Donations, contributions and assistance to other organisations (Section 356)	10	18
Election expenses	85	1
Electricity and heating	165	140
Insurance	126	134
Printing and stationery	70	59
Street lighting	253	226
Subscriptions and publications	95	56
Telephone and communications	36	35
<b>Total other expenses</b>	<b>2,421</b>	<b>2,179</b>
Less: capitalised costs	–	–
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>2,421</u></b>	<b><u>2,179</u></b>

#### Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		108	86
Less: carrying amount of plant and equipment assets sold/written off		<u>(119)</u>	<u>(89)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>(11)</b></u>	<u><b>(3)</b></u>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		<u>(187)</u>	<u>(208)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>(187)</b></u>	<u><b>(208)</b></u>
<b>Bus shelter and structure</b>			
Proceeds from disposal – Bus shelter and structure		–	–
Less: carrying amount of Bus shelter and structure assets sold/written off		<u>–</u>	<u>(84)</u>
<b>Net gain/(loss) on disposal</b>		<u><b>–</b></u>	<u><b>(84)</b></u>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<u><b>(198)</b></u>	<u><b>(295)</b></u>

**Accounting policy for disposal of assets**

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

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	373	585
Cash-equivalent assets		
– Deposits at call	330	440
– Short-term deposits	19,824	18,801
<b>Total cash and cash equivalents</b>	<b>20,527</b>	<b>19,826</b>

#### **Accounting policy for 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.



## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
Nil				
Total investments	-	-	-	-
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>20,527</u></b>	<b><u>-</u></b>	<b><u>19,826</u></b>	<b><u>-</u></b>

#### Accounting policy for investments

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	20,527	–	19,826	–
<b>attributable to:</b>				
External restrictions (refer below)	3,422	–	2,909	–
Internal restrictions (refer below)	4,804	–	4,657	–
Unrestricted	12,301	–	12,260	–
	<b>20,527</b>	<b>–</b>	<b>19,826</b>	<b>–</b>

\$ '000	2018	2017
<b>Details of restrictions</b>		
<b>External restrictions – other</b>		
Developer contributions – general	1,513	968
Specific purpose unexpended grants	92	96
Domestic waste management	327	288
Other special levies	1,490	1,557
<b>External restrictions – other</b>	<b>3,422</b>	<b>2,909</b>
<b>Total external restrictions</b>	<b>3,422</b>	<b>2,909</b>

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>Internal restrictions</b>		
Plant and vehicle replacement	592	585
Employees leave entitlement	705	703
Deposits, retentions and bonds	2,723	2,635
Construction of buildings	249	249
Office equipment	240	254
Road reconstruction	85	–
Elections	62	121
Insurance reserve	81	59
Other	67	51
<b>Total internal restrictions</b>	<b>4,804</b>	<b>4,657</b>
<b>TOTAL RESTRICTIONS</b>	<b>8,226</b>	<b>7,566</b>

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	237	19	288	21
Interest and extra charges	13	13	18	11
User charges and fees	306	–	140	–
Accrued revenues				
– Interest on investments	73	–	67	–
– Other income accruals	112	–	104	–
Government grants and subsidies	7	–	9	–
Net GST receivable	242	–	229	–
<b>Total</b>	<b>990</b>	<b>32</b>	<b>855</b>	<b>32</b>
<b>Less: provision for impairment</b>				
User charges and fees	(20)	–	(19)	–
<b>Total provision for impairment – receivables</b>	<b>(20)</b>	<b>–</b>	<b>(19)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>970</b>	<b>32</b>	<b>836</b>	<b>32</b>
<b>Externally restricted receivables</b>				
Domestic waste management	65	–	69	–
<b>Total external restrictions</b>	<b>65</b>	<b>–</b>	<b>69</b>	<b>–</b>
<b>Internally restricted receivables</b>				
Nil	–	–	–	–
<b>Internally restricted receivables</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>905</b>	<b>32</b>	<b>767</b>	<b>32</b>
<b>TOTAL NET RECEIVABLES</b>	<b>970</b>	<b>32</b>	<b>836</b>	<b>32</b>

**Movement in provision for impairment of receivables**

	2018	2017
Balance at the beginning of the year	19	12
+ new provisions recognised during the year	1	7
<b>Balance at the end of the year</b>	<b>20</b>	<b>19</b>

**Accounting policy for receivables****Recognition and measurement**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Receivables are included in Note 7 in the Statement of Financial Position. Receivables are recognised initially at fair value

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables

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##### **Impairment**

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	5	–	8	–
<b>Total inventories at cost</b>	<b>5</b>	<b>–</b>	<b>8</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>				
Nil				
<b>Total inventories at net realisable value (NRV)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>5</b>	<b>–</b>	<b>8</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	109	–	49	–
<b>TOTAL OTHER ASSETS</b>	<b>109</b>	<b>–</b>	<b>49</b>	<b>–</b>
<b>Externally restricted assets</b>				
There are no restrictions applicable to the above assets.				
<b>Total unrestricted assets</b>	<b>114</b>	<b>–</b>	<b>57</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>114</b>	<b>–</b>	<b>57</b>	<b>–</b>

**Accounting policy****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.

**Inventory held for distribution**

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

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 9(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	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 impairment	Net carrying amount
\$ '000												
Capital work in progress	225	–	225		25		–	(223)		27	–	27
Plant and equipment	1,348	856	492		174	(119)	(115)			1,315	883	432
Office equipment	1,173	1,117	56	88			(53)			1,262	1,171	91
Furniture and fittings	300	159	141				(18)			301	178	123
<b>Land:</b>												
– Operational land	18,849	–	18,849				–		14,433	33,282	–	33,282
– Community land	78,544	–	78,544				–			78,544	–	78,544
<b>Infrastructure:</b>												
– Buildings – non-specialised	7,132	1,886	5,246	7			(124)	44	179	8,043	2,691	5,352
– Buildings – specialised	15,522	3,978	11,544		25		(215)	9	(1,241)	15,888	5,766	10,122
– Other structures	8,717	2,387	6,330	15	134		(221)	158		9,024	2,608	6,416
– Roads	53,525	7,695	45,830	384		(85)	(958)	2		53,694	8,521	45,173
– Footpaths	10,211	2,829	7,382	96		(49)	(272)			10,230	3,073	7,157
– Kerb and guttering	14,721	1,146	13,575	115		(53)	(122)	5		14,775	1,255	13,520
– Other road assets	1,304	175	1,129	23			(33)	5		1,331	207	1,124
– Stormwater drainage	9,390	1,506	7,884	48			(113)			9,438	1,619	7,819
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>220,961</b>	<b>23,734</b>	<b>197,227</b>	<b>776</b>	<b>358</b>	<b>(306)</b>	<b>(2,244)</b>	<b>–</b>	<b>13,371</b>	<b>237,154</b>	<b>27,972</b>	<b>209,182</b>

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

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9(a). Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least 5 yearly, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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.

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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other Structures</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 150
Office furniture	10 to 20	Benches, seats etc.	10 to 50
Vehicles	5 to 8		
Other plant and equipment	5 to 15	<b>Buildings</b>	
		Buildings: masonry	50 to 100
		Buildings: other	50 to 100
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface	20 to 200	Drains	80 to 100
Sealed roads: structure	20 to 200		
Road pavements	20 to 200		
Kerb, gutter and footpaths	20 to 200		
Other infrastructure	30		

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.

##### 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.



## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	191	–	730	–
Goods and services – capital expenditure	23	–	36	–
Accrued expenses:				
– Borrowings	–	–	1	–
– Other expenditure accruals	378	–	341	–
Security bonds, deposits and retentions	2,723	–	2,635	–
<b>Total payables</b>	<b>3,315</b>	<b>–</b>	<b>3,743</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	293	–	273	–
<b>Total income received in advance</b>	<b>293</b>	<b>–</b>	<b>273</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	–	–	34	–
<b>Total borrowings</b>	<b>–</b>	<b>–</b>	<b>34</b>	<b>–</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>3,608</b>	<b>–</b>	<b>4,050</b>	<b>–</b>

**(a) Payables and borrowings relating to restricted assets**

There are no restricted assets (external or internal) applicable to the above payables and borrowings

<b>Total payables and borrowings relating to unrestricted assets</b>	3,608	–	4,050	–
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>3,608</b>	<b>–</b>	<b>4,050</b>	<b>–</b>

<sup>1</sup> 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 17.

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
<b>(b) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	2,438	2,389
	<u>2,438</u>	<u>2,389</u>

**(c) Changes in liabilities arising from financing activities**

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	34	(34)				–
<b>TOTAL</b>	<b>34</b>	<b>(34)</b>	–	–	–	–

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

Credit cards/purchase cards	20	10
<b>Total financing arrangements</b>	<b>20</b>	<b>10</b>

**Undrawn facilities as at balance date:**

– Credit cards/purchase cards	20	10
<b>Total undrawn financing arrangements</b>	<b>20</b>	<b>10</b>

**Accounting policy for payables and borrowings****Payables**

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

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	580	–	610	–
Sick leave	48	–	45	–
Long service leave	1,277	18	1,251	10
Other leave	10	–	18	–
<b>Sub-total – aggregate employee benefits</b>	<b>1,915</b>	<b>18</b>	<b>1,924</b>	<b>10</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>1,915</u></b>	<b><u>18</u></b>	<b><u>1,924</u></b>	<b><u>10</u></b>

**(a) Provisions relating to restricted assets**

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	168	–	169	–
Provisions relating to externally restricted assets	168	–	169	–
<b>Total provisions relating to restricted assets</b>	<b>168</b>	<b>–</b>	<b>169</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>1,747</b>	<b>18</b>	<b>1,755</b>	<b>10</b>
<b>TOTAL PROVISIONS</b>	<b>1,915</b>	<b>18</b>	<b>1,924</b>	<b>10</b>

**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	834	1,001
	<b>834</b>	<b>1,001</b>

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

\$ '000

##### (c) Description of and movements in provisions

2018	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	610	45	1,261	–	18	1,934	
Additional provisions	332	3	171			506	
Amounts used (payments)	(362)	–	(137)		(8)	(507)	
<b>Total ELE provisions at end of year</b>	<b>580</b>	<b>48</b>	<b>1,295</b>	<b>–</b>	<b>10</b>	<b>1,933</b>	

2017	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	591	19	1,281		19	1,910	
Additional provisions	341	41	142			524	
Amounts used (payments)	(322)	(15)	(162)		(1)	(500)	
<b>Total ELE provisions at end of year</b>	<b>610</b>	<b>45</b>	<b>1,261</b>	<b>–</b>	<b>18</b>	<b>1,934</b>	

##### Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### Employee benefits

###### 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

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions

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**Short-term obligations (continued)**

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

**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.

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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##### (a) 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.

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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##### (b) Correction of errors relating to a previous reporting period

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

##### (c) Voluntary changes in accounting policies

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

##### (d) 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 2018

## Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	20,527	19,826
<b>Balance as per the Statement of Cash Flows</b>		<b>20,527</b>	<b>19,826</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>(9)</b>	<b>(486)</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		2,244	2,249
Net losses/(gains) on disposal of assets		198	295
Share of net (profits) or losses of associates/joint ventures		(72)	(57)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(135)	96
Increase/(decrease) in provision for doubtful debts		1	7
Decrease/(increase) in inventories		3	5
Decrease/(increase) in other assets		(60)	106
Increase/(decrease) in payables		(539)	301
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		37	76
Increase/(decrease) in other liabilities		108	(11)
Increase/(decrease) in employee leave entitlements		(1)	24
Increase/(decrease) in other provisions		–	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>1,774</b>	<b>2,604</b>

**(c) Non-cash investing and financing activities**

Nil



## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 14. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017
Joint ventures	72	57	594	522
Associates	–	–	–	–
<b>Total</b>	<b>72</b>	<b>57</b>	<b>594</b>	<b>522</b>

#### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Interests in other entities (continued)

\$ '000

## (b) Joint arrangements

## (i) Joint ventures

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

## (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
CivicRisk Metro	Joint Ventures	Equity Accounting	529	475
CivicRisk Mutual	Joint Ventures	Equity Accounting	65	47
<b>Total carrying amounts – material joint ventures</b>			<b>594</b>	<b>522</b>

## (b) Details

Name of entity	Principal activity	Place of business
CivicRisk Metro	Liability insurance and risk management	Penrith NSW
CivicRisk 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	
	2018	2017	2018	2017	2018	2017	2018	2017
CivicRisk Metro	n/a	n/a	4%	4%	4%	4%	17%	17%
CivicRisk Mutual	n/a	n/a	1%	1%	1%	1%	6%	6%

## (d) Summarised financial information for joint ventures

Statement of financial position	CivicRisk Metro		CivicRisk Mutual	
	2018	2017	2018	2017
<b>Current assets</b>				
Cash and cash equivalents	15	27	1,158	505
Other current assets	8,114	5,738	5,759	6,239
<b>Non-current assets</b>	<b>16,220</b>	<b>18,168</b>	<b>5,989</b>	<b>5,889</b>
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	1,714	1,443	2,690	2,890
Other current liabilities	101	149	299	423
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>8,985</b>	<b>10,730</b>	<b>1,448</b>	<b>2,830</b>
<b>Net assets</b>	<b>13,549</b>	<b>11,611</b>	<b>8,469</b>	<b>6,490</b>

	CivicRisk Metro		CivicRisk Mutual	
	2018	2017	2018	2017
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	11,611	9,422	6,490	7,286
Profit/(loss) for the period	1,938	2,189	1,978	(796)
<b>Closing net assets</b>	<b>13,549</b>	<b>11,611</b>	<b>8,468</b>	<b>6,490</b>
<b>Council's share of net assets (%)</b>	<b>3.9%</b>	<b>4.1%</b>	<b>0.8%</b>	<b>0.7%</b>
<b>Council's share of net assets (\$)</b>	<b>528</b>	<b>475</b>	<b>65</b>	<b>47</b>
	CivicRisk Metro		CivicRisk Mutual	
	2018	2017	2018	2017
<b>Statement of comprehensive income</b>				
Income	2,115	2,781	9,425	8,302
Interest income	1,077	1,089	439	584
Other expenses	(1,254)	(1,681)	(7,886)	(9,682)
<b>Profit/(loss) from continuing operations</b>	<b>1,938</b>	<b>2,189</b>	<b>1,978</b>	<b>(796)</b>
<b>Profit/(loss) for period</b>	<b>1,938</b>	<b>2,189</b>	<b>1,978</b>	<b>(796)</b>
<b>Total comprehensive income</b>	<b>1,938</b>	<b>2,189</b>	<b>1,978</b>	<b>(796)</b>
<b>Share of income – Council (%)</b>	<b>2.8%</b>	<b>2.9%</b>	<b>0.9%</b>	<b>0.9%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>54</b>	<b>63</b>	<b>18</b>	<b>(7)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>54</b>	<b>63</b>	<b>18</b>	<b>(7)</b>
<b>Dividends received by Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	50	863	903	(1,115)
Cash flows from investing activities	(5)	(1,514)	(250)	(1)
Cash flows from financing activities	–	–	–	–
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>45</b>	<b>(651)</b>	<b>653</b>	<b>(1,116)</b>

**(i) County Councils**

Council is not a member of any county councils.

**(b) Joint arrangements (continued)****(ii) Joint operations**

Council has no interest in any joint operations.

**Joint ventures**

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 2018.

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 14. Interests in other entities (continued)

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\$ '000

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##### (c) Associates

Council has no interest in any associates.

##### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 15. Commitments for expenditure

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\$ '000	2018	2017
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(a) Capital commitments (exclusive of GST)

Nil

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 15. Commitments for expenditure (continued)

\$ '000	2018	2017
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	7	16
Later than one year and not later than 5 years	–	7
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>7</b>	<b>23</b>

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

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

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

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 15. Commitments for expenditure (continued)

\$ '000	2018	2017
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##### Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

##### (d) Investment property commitments

Nil

##### (e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 14 (c)

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised

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

##### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

##### **(i) 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.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.



## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

## Note 16. Contingencies and other liabilities/assets not recognised

### 1. Guarantees (continued)

#### (i) Defined benefit superannuation contribution plans (continued)

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$110,381.21. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$90,560.72.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

\* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

### Note 16. Contingencies and other liabilities/assets not recognised

#### **LIABILITIES NOT RECOGNISED** (continued):

##### **1. Guarantees** (continued)

##### **(i) Defined benefit superannuation contribution plans** (continued)

all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.1% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

##### **(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 CivicRisk West (previously West Pool), CivicRisk Metro (previously Metro Pool) and CivicRisk 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 CivicRisk membership being Blacktown, Blue Mountuains, Burwood, Bayside, Cumberland, Camden, Hawkesbury, Fairfield, Hunters Hill, Kiama, Lane Cove, Liverpool, Penrith, Parramatta, Shellharbour and Wollongong.

The CivicRisk 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.

##### **(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.

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised

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##### **LIABILITIES NOT RECOGNISED** (continued):

##### **(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) S94A 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 2018

#### Note 16. Contingencies and other liabilities/assets not recognised

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##### **LIABILITIES NOT RECOGNISED** (continued):

##### **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 2018

#### Note 17. 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	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	20,527	19,826	20,527	19,826
Investments				
Receivables	1,002	868	1,002	868
<b>Total financial assets</b>	<b>21,529</b>	<b>20,694</b>	<b>21,529</b>	<b>20,694</b>
<b>Financial liabilities</b>				
Payables	3,315	3,743	3,315	3,743
Loans/advances	–	34	–	34
<b>Total financial liabilities</b>	<b>3,315</b>	<b>3,777</b>	<b>3,315</b>	<b>3,777</b>

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.

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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.

2018	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	205	205	(205)	(205)
<b>2017</b>				
Possible impact of a 10% movement in market values				
Possible impact of a 1% movement in interest rates	198	198	(198)	(198)

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. 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 significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. There are no material receivables that have been subjected to a re-negotiation of repayment term

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	80%	60%	93%	49%
Overdue	20%	40%	7%	51%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>			2018	2017
<b>Rates and annual charges</b>				
Current			–	–
< 1 year overdue			199	262
1 – 2 years overdue			17	13
2 – 5 years overdue			19	13
> 5 years overdue			21	21
			<b>256</b>	<b>309</b>
<b>Other receivables</b>				
Current			–	–
0 – 30 days overdue			492	273
31 – 60 days overdue			97	13
61 – 90 days overdue			8	136
> 91 days overdue			169	156
			<b>766</b>	<b>578</b>

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 17. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Bank overdraft		–				–	–
Trade/other payables		2,723	592			3,315	3,315
Loans and advances	7.34%					–	–
Lease liabilities						–	–
<b>Total financial liabilities</b>		<b>2,723</b>	<b>592</b>			<b>3,315</b>	<b>3,315</b>
<b>2017</b>							
Bank overdraft		–				–	–
Trade/other payables		2,635	1,108			3,743	3,743
Loans and advances	7.34%	34				34	34
Lease liabilities						–	–
<b>Total financial liabilities</b>		<b>2,669</b>	<b>1,108</b>			<b>3,777</b>	<b>3,777</b>



## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
<b>Operating grants and contributions</b>	<b>765</b>	<b>869</b>	<b>104</b>	14%	<b>F</b>
The major component of this variance is the receipt of half of the 2018-2019 Financial Assistance Grant in 2017-2018 \$232F					
<b>Capital grants and contributions</b>	<b>325</b>	<b>569</b>	<b>244</b>	75%	<b>F</b>
Developer Contribution were greater than estimated budget \$243F					
<b>Net gains from disposal of assets</b>	<b>58</b>	–	<b>(58)</b>	(100%)	<b>U</b>
Deferred replacement of plant \$58U					
<b>Joint ventures and associates - net profits</b>	<b>6</b>	<b>72</b>	<b>66</b>	1100%	<b>F</b>
Increase in Councils Equity Share in CivicRisk \$72F					

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Net losses from disposal of assets</b>	-	198	(198)	0%	<b>U</b>
Disposal due to replacement of infrastructure - Road, Footpaths and Kerbs \$187U and Plant and Equipment \$11U					

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----
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**Budget variations relating to Council's Cash Flow Statement include:**

<b>Cash flows from investing activities</b>	<b>(1,875)</b>	<b>(1,039)</b>	<b>836</b>	<b>(44.6%)</b>	<b>F</b>
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Capital Work Program for Plant Replacement \$293F and Building/Other Structure \$541F were not complete due to staff turn over.

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. 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:

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Plant & Equipment			432	432
Office Equipment			91	91
Furniture & Fittings			123	123
Operational Land		33,282	–	33,282
Community Land			78,544	78,544
Building - Non Specialised		5,352	–	5,352
Building - Specialised			10,122	10,122
Other Structures			6,416	6,416
Roads			45,173	45,173
Footpaths			7,157	7,157
Kerb & Guttering			13,520	13,520
Other road assets			1,124	1,124
Stormwater Drainage			7,819	7,819
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>38,634</b>	<b>170,521</b>	<b>209,155</b>

2017

**Fair value measurement hierarchy**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Plant & Equipment			492	492
Office Equipment			56	56
Furniture & Fittings			141	141
Operational Land		18,849	–	18,849
Community Land			78,544	78,544
Building - Non Specialised		5,246	–	5,246
Building - 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
Other road assets			1,129	1,129
Stormwater Drainage			7,884	7,884
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>24,095</b>	<b>172,907</b>	<b>197,002</b>

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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##### **(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 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### Infrastructure, property, plant and equipment (IPP&E)

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 30 June 2018 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 at 30 June 2018. 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 required professional judgement and impacted significantly on the determination of fair value. These assets were valued using Level 3 valuation inputs.

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. 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	Furniture & Fittings	Community Land	Total
<b>Opening balance – 1/7/16</b>	500	100	128	61,894	62,622
Purchases (GBV)	225	13	32	–	270
Disposals (WDV)	(89)	–	–	–	(89)
Depreciation and impairment	(144)	(57)	(19)	–	(220)
FV gains – other comprehensive income	–	–	–	16,650	16,650
<b>Closing balance – 30/6/17</b>	<b>492</b>	<b>56</b>	<b>141</b>	<b>78,544</b>	<b>79,233</b>
Purchases (GBV)	174	88	–	–	262
Disposals (WDV)	(119)	–	–	–	(119)
Depreciation and impairment	(115)	(53)	(18)	–	(186)
FV gains – other comprehensive income	–	–	–	–	–
<b>Closing balance – 30/6/18</b>	<b>432</b>	<b>91</b>	<b>123</b>	<b>78,544</b>	<b>79,190</b>



## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. 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)

	Building Specialised	Other Structures	Road	Footpaths	Total
<b>Opening balance – 1/7/16</b>	11,569	6,265	46,312	7,505	71,651
Purchases (GBV)	189	357	565	249	1,360
Disposals (WDV)	–	–	(96)	(100)	(196)
Depreciation and impairment	(214)	(292)	(951)	(272)	(1,729)
FV gains – other comprehensive income	–	–	–	–	–
<b>Closing balance – 30/6/17</b>	<b>11,544</b>	<b>6,330</b>	<b>45,830</b>	<b>7,382</b>	<b>71,086</b>
Purchases (GBV)	34	307	386	96	823
Disposals (WDV)	–	–	(85)	(49)	(134)
Depreciation and impairment	(215)	(221)	(958)	(272)	(1,666)
FV gains – other comprehensive income	(1,241)	–	–	–	(1,241)
<b>Closing balance – 30/6/18</b>	<b>10,122</b>	<b>6,416</b>	<b>45,173</b>	<b>7,157</b>	<b>68,868</b>

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. 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)

	Kerb & Guttering	Other Road Assets	Stormwater Drainage	Total
<b>Opening balance – 1/7/16</b>	13,662	1,160	7,966	22,788
Purchases (GBV)	47	–	30	77
Disposals (WDV)	(12)	–	–	(12)
Depreciation and impairment	(122)	(31)	(112)	(265)
FV gains – other comprehensive income	–	–	–	–
<b>Closing balance – 30/6/17</b>	<b>13,575</b>	<b>1,129</b>	<b>7,884</b>	<b>22,588</b>
Purchases (GBV)	120	28	48	196
Disposals (WDV)	(53)	–	–	(53)
Depreciation and impairment	(122)	(33)	(113)	(268)
FV gains – other comprehensive income	–	–	–	–
<b>Closing balance – 30/6/18</b>	<b>13,520</b>	<b>1,124</b>	<b>7,819</b>	<b>22,463</b>

## Hunter's Hill Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E</b>			
Community Land	78,544	Land values obtained from the NSW Valuer General	Land value and land area
Plant & Equipment	432	Cost approach	Gross Replacement Cost, remaining useful life
Office Equipment	91	Cost approach	Gross Replacement Cost, remaining useful life
Furniture & Fittings	123	Cost approach	Gross Replacement Cost, remaining useful life
Specialised Buildings	10,122	Cost approach	Gross Replacement Cost, remaining useful life
Other Structures	6,416	Cost approach	Gross Replacement Cost, remaining useful life
Roads	45,173	Cost approach	Gross Replacement Cost, remaining useful life
Footpaths	7,157	Cost approach	Gross Replacement Cost, remaining useful life
Kerb & Gutter	13,520	Cost approach	Gross Replacement Cost, remaining useful life
Other Road Assets	1,124	Cost approach	Gross Replacement Cost, remaining useful life
Stormwater Drainage	7,819	Cost approach	Gross Replacement Cost, remaining useful life

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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

##### d. The valuation process for level 3 fair value measurements

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

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

The last desktop revaluation was undertaken at 1 July 2015 for Other Structures and was performed by APV and Assets management. When a valuation is undertaken as a desktop update the valuation is produced by indexing the various unit rates and adjusting the asset register for additions, deletions and changes in consumption score.

Community Land was valued based on the Land Value provided by the Valuer-General. Where the Valuer-General did not provide Land Value an average unit rate based on the Land Value for similar community land was used.

As at 30 June 2018 a comprehensive valuation was undertaken for Operational Land and Building and was performed by APV and Assets Management. Operational Land and Non-Specialised Building has been valued at market value from the sales evidence of similar or reference assets. Specialised Building has been valued as Cost Approach. The method is based on determining the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors.

Valuation of Roads was undertaken at 30 June 2015 by APV. This asset class comprises the Road Carriageway, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the Kerb and gutter. The Cost Approach using Level 3 inputs was used to value the road and other road infrastructure. Valuation for the road carriageway, comprising surface, pavement and formation were based on calculations undertaken by the external valuation process

Footpaths and Kerb & Gutter were segmented to match the adjacent road segment where possible and no further componentisation was undertaken. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on a physical inspection. Condition information is updated as changes in the network are observed through regular inspections. Valuation of the Footpaths and Kerb & Gutter was undertaken at 30 June 2015.

Stormwater Drainage comprise pits, pipes, open channels, headwalls and various types of water quality devices. The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported through extensive professional judgement and market evidence. Valuation of the stormwater drainage was undertaken at 30 June 2015 by APV

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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\$ '000

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##### **(5). Highest and best use**

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

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 20. Related party transactions

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\$ '000

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##### 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:

<b>Compensation:</b>	2018	2017
Short-term benefits	1,211	1,118
Post-employment benefits	137	159
<b>Total</b>	<u>1,348</u>	<u>1,277</u>

## Hunter's Hill Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 20. Related party transactions (continued)

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##### **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.

## Hunter's Hill Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Events occurring after the reporting date

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



## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

## 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	968	554	–	28	(37)	–	1,513	–
<b>S7.11 contributions – under a plan</b>	<b>968</b>	<b>554</b>	<b>–</b>	<b>28</b>	<b>(37)</b>	<b>–</b>	<b>1,513</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>968</b>	<b>554</b>	<b>–</b>	<b>28</b>	<b>(37)</b>	<b>–</b>	<b>1,513</b>	<b>–</b>
S7.11 not under plans	–	–	–	–	–	–	–	–
S7.4 planning agreements	–	–	–	–	–	–	–	–
S64 contributions	–	–	–	–	–	–	–	–
<b>Total contributions</b>	<b>968</b>	<b>554</b>	<b>–</b>	<b>28</b>	<b>(37)</b>	<b>–</b>	<b>1,513</b>	<b>–</b>

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – 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	968	554		28	(37)		1,513	
<b>Total</b>	<b>968</b>	<b>554</b>	<b>–</b>	<b>28</b>	<b>(37)</b>	<b>–</b>	<b>1,513</b>	<b>–</b>

## Hunter's Hill Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(452)</u>	<b>-3.09%</b>	-4.24%	-5.68%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>14,624</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>13,755</u>	<b>90.54%</b>	90.68%	89.96%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>15,193</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>18,124</u>	<b>8.70x</b>	7.35x	7.57x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>2,083</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>1,793</u>	<b>51.23x</b>	23.03x	20.56x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>35</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>282</u>	<b>2.49%</b>	2.95%	2.84%	< 5% Metro
Rates, annual and extra charges collectible	<b>11,327</b>				< 10% Regional & Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>20,527</u>	<b>17.40</b>	16.5 mths	16.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	<b>1,180</b>	<b>mths</b>			

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 10 and 11.

<sup>(4)</sup> Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Hunters Hill Council**

To the Councillors of Hunters Hill Council

## **Opinion**

I have audited the accompanying financial report of Hunters Hill Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the 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 report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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 Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.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, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Renee Meimaroglou  
Director, Financial Audit Services

19 October 2018  
SYDNEY

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

Contact: Renee Meimaroglou  
Phone no: 9275 7100  
Our ref: D1824862/1742

19 October 2018

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
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 2018 as required by section 415 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 2018 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**

	<b>2018</b>	<b>2017</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	11.0	11.1	0.9 
<b>Grants and contributions revenue</b>	1.4	1.4	-
<b>Operating result for the year</b>	(0.01)	(0.5)	98.0 
<b>Net operating result before capital amounts</b>	(0.6)	(0.9)	33.3 

Council's operating result (a deficit of \$9,000 including the effect of depreciation and amortisation expense of \$2.2 million) was an improvement of \$477,000 over the 2016–17 result. This was mainly due to a reduction in contractor, consultancy and legal costs.

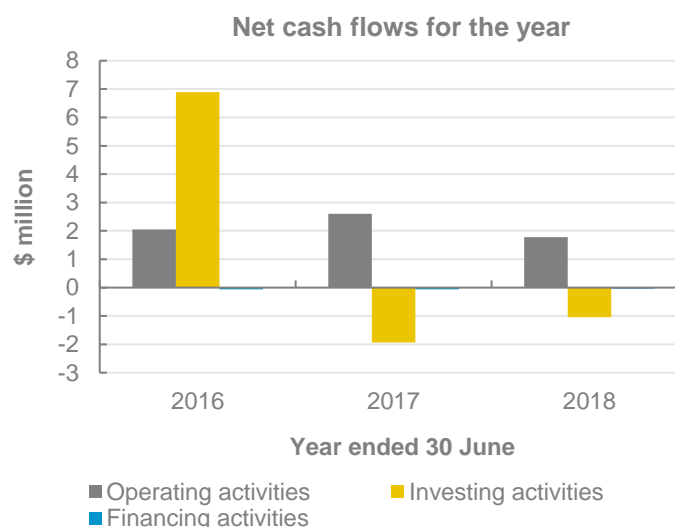
The net operating result before capital grants and contributions (a deficit of \$578,000) was an improvement of \$302,000 over the 2016–17 result. The primary reason for the improvement was the reduction in expenditure noted above.

Rates and annual charges revenue (\$11 million) decreased by \$100,000 (0.9 per cent) in 2017–2018. The reduction is due to the expiry of a special levy for community facilities that was levied in the prior year.

Grants and contributions revenue (\$1.4 million) was consistent with the prior 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 \$701,000 to \$20.5 million at the close of the year.
- The decrease in investing activities was due to a reduction in capital expenditure.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	3.4	2.9	• External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges and special levies.
Internal restrictions	4.8	4.7	
Unrestricted	12.3	12.3	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>20.5</b>	<b>19.8</b>	

The cash and investments balance of \$20.5 million in 2017-18 has increased by \$0.7 million. This is mainly due to improvement in operating result for the year, compared to 2016-17.

## PERFORMANCE RATIOS

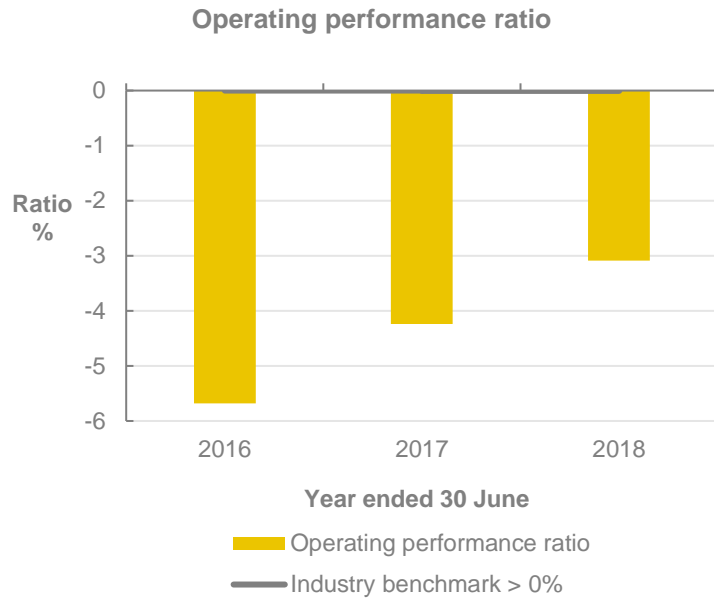
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.



## Operating performance ratio

- The indicator of -3.1 per cent was below the industry benchmark due to the continued deficits before capital grants and contributions.

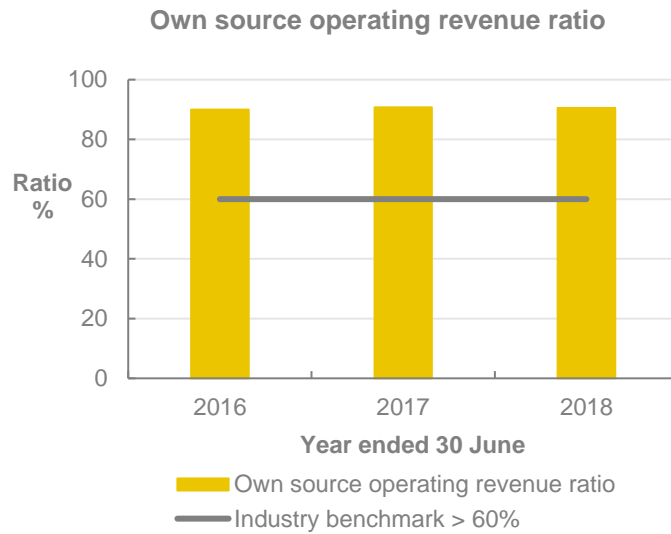
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



## Own source operating revenue ratio

- Council's own source operating revenue ratio of 90.5 per cent exceeded the industry benchmark.
- This indicator fluctuates with movements in grants and contributions.

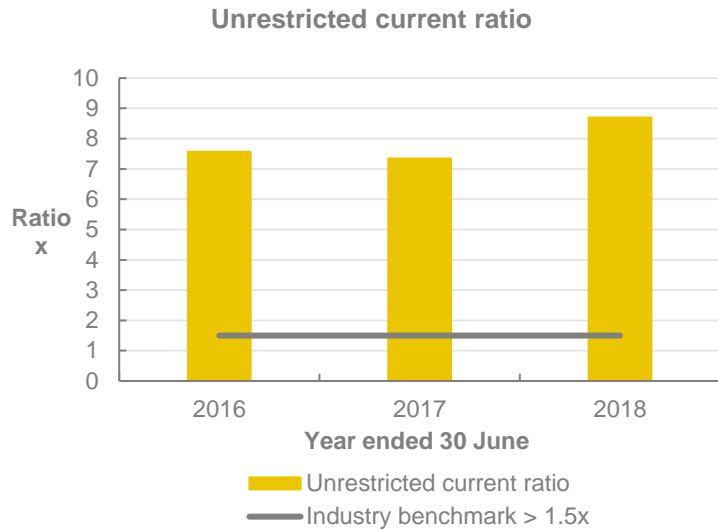
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

- This ratio indicated that Council currently had 8.7 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.

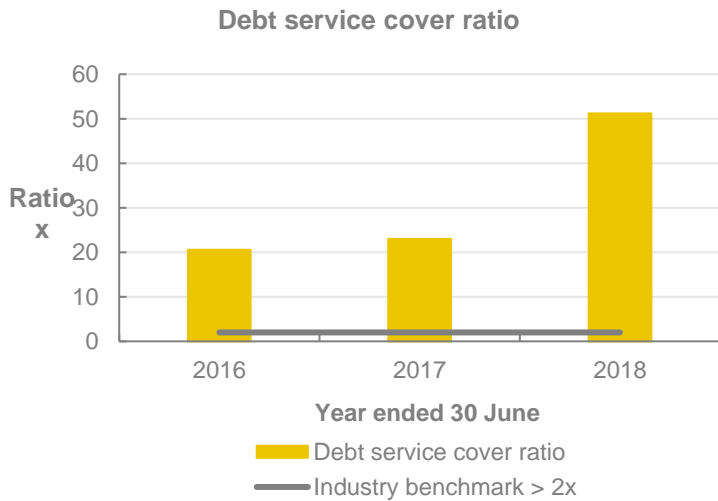
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

- The debt service cover ratio of 51.23 times exceeded the industry benchmark.

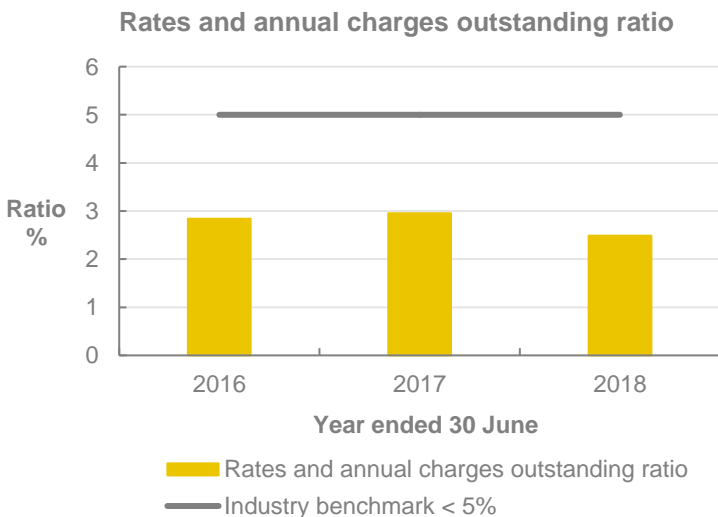
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 2.5 per cent was within the industry benchmark.

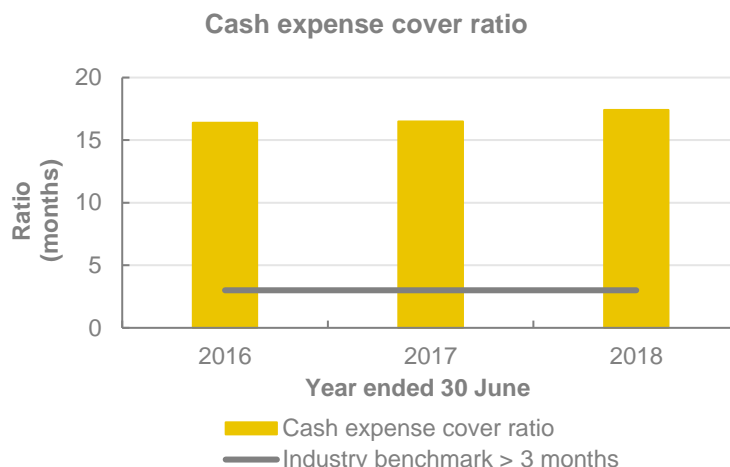
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



## Cash expense cover ratio

- Council's cash expense cover ratio of 17.4 months well exceeded the industry benchmark.

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.

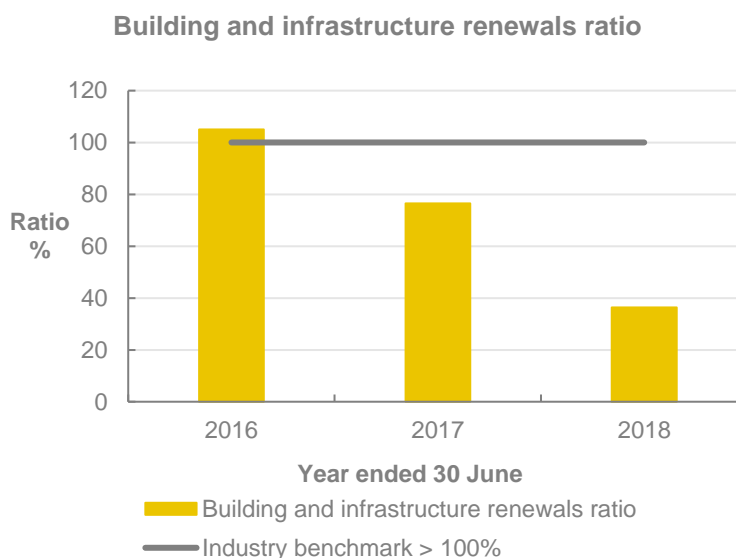


## Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 36.4 per cent was below the industry benchmark.
- The reduction can be attributed to planned renewal works not being completed.

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 council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 10(c).

## 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

cc: Ms Lisa Miscamble, General Manager  
Mr Tim Hurst, Chief Executive of the Office of Local Government

# Hunter's Hill Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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**“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 2018

**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 2018

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**“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 2018

### Contents

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

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<b>Special Schedule 2</b>	Permissible income for general rates	4
<b>Special Schedule 2</b>	Independent Auditors Report	
<b>Special Schedule 7</b>	Report on Infrastructure Assets	5-6

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,268</b>	–	–	<b>(1,268)</b>
<b>Administration</b>	<b>3,524</b>	<b>155</b>	–	<b>(3,369)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	441	1	–	(440)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	229	9	–	(220)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>670</b>	<b>10</b>	–	<b>(660)</b>
<b>Health</b>	<b>109</b>	<b>62</b>	–	<b>(47)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	18	–	–	(18)
Other environmental protection	–	5	–	5
Solid waste management	2,369	2,799	–	430
Street cleaning	374	1	–	(373)
Drainage	168	–	–	(168)
Stormwater management	68	182	–	114
<b>Total environment</b>	<b>2,997</b>	<b>2,987</b>	–	<b>(10)</b>
<b>Community services and education</b>				
Administration and education	257	35	–	(222)
Social protection (welfare)	5	1	–	(4)
Aged persons and disabled	212	151	–	(61)
Children's services	45	86	–	41
<b>Total community services and education</b>	<b>519</b>	<b>273</b>	–	<b>(246)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	253	34	–	(219)
Town planning	1,079	353	–	(726)
Other community amenities	6	75	–	69
<b>Total housing and community amenities</b>	<b>1,338</b>	<b>462</b>	–	<b>(876)</b>
<b>Water supplies</b>	–	–	–	–
<b>Sewerage services</b>	–	–	–	–

## Hunter's Hill Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	723	48	–	(675)
Museums	–	–	–	–
Art galleries	145	116	–	(29)
Community centres and halls	239	70	49	(120)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	120	68	–	(52)
Sporting grounds and venues	124	79	–	(45)
Swimming pools	17	2	49	34
Parks and gardens (lakes)	960	128	219	(613)
Other sport and recreation	61	4	87	30
<b>Total recreation and culture</b>	<b>2,389</b>	<b>515</b>	<b>404</b>	<b>(1,470)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	189	25	–	(164)
Other mining, manufacturing and construction	–	1	–	1
<b>Total mining, manufacturing and const.</b>	<b>189</b>	<b>26</b>	<b>–</b>	<b>(163)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	1,847	458	–	(1,389)
Urban roads – regional	23	339	–	316
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	60	396	–	336
Footpaths	255	237	136	118
Aerodromes	–	–	–	–
Other transport and communication	85	179	29	123
<b>Total transport and communication</b>	<b>2,270</b>	<b>1,609</b>	<b>165</b>	<b>(496)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	1	1	–	–
<b>Total economic affairs</b>	<b>1</b>	<b>1</b>	<b>–</b>	<b>–</b>
<b>Totals – functions</b>	<b>15,274</b>	<b>6,100</b>	<b>569</b>	<b>(8,605)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>8,524</b>		<b>8,524</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	<b>72</b>		<b>72</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>15,274</b>	<b>14,696</b>	<b>569</b>	<b>(9)</b>

(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 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	8,463	8,674
Plus or minus adjustments <sup>(2)</sup>	b	4	(1)
<b>Notional general income</b>	c = (a + b)	<b>8,467</b>	<b>8,673</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	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 x e	195	125
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>8,661</b>	<b>8,465</b>
Plus (or minus) last year's carry forward total	l	2	–
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>2</b>	<b>–</b>
<b>Total permissible income</b>	o = k + n	<b>8,663</b>	<b>8,465</b>
Less notional general income yield	p	8,659	8,463
<b>Catch-up or (excess) result</b>	q = o – p	<b>4</b>	<b>2</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	9	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>14</b>	<b>2</b>

**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 2 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Hunters Hill Council

To the Councillors of Hunters Hill Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Hunters Hill Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

### 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 Schedule' 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 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 special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

- obtain reasonable assurance whether the Schedule 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 the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

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

Renee Meimaroglou  
Director, Financial Audit Services

19 October 2018  
SYDNEY

## Hunter's Hill Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices/ Administration Centres			79	68	3,860	5,168	0%	90%	10%	0%	0%
	Council Works Depot	–	40	49	56	539	1,019	0%	80%	10%	10%	0%
	Council Public Halls	665	750	104	90	5,795	10,266	0%	0%	80%	20%	0%
	Other Buildings	83	350	224	201	5,280	7,478	0%	70%	20%	10%	0%
	<b>Sub-total</b>	<b>748</b>	<b>1,140</b>	<b>456</b>	<b>415</b>	<b>15,474</b>	<b>23,931</b>	<b>0.0%</b>	<b>44.7%</b>	<b>43.2%</b>	<b>12.1%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	50	40	52	22	6,416	9,024	10%	50%	30%	10%	0%
	Other											
	<b>Sub-total</b>	<b>50</b>	<b>40</b>	<b>52</b>	<b>22</b>	<b>6,416</b>	<b>9,024</b>	<b>10.0%</b>	<b>50.0%</b>	<b>30.0%</b>	<b>10.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	717	1,800	449	327	45,173	53,694	5%	40%	40%	15%	0%
	Footpaths	40	350	95	110	7,157	10,230	20%	40%	20%	15%	5%
	Kerb and guttering	112	350	5	3	13,520	14,775	20%	35%	25%	15%	5%
	Other road assets					1,124	1,331	10%	25%	45%	10%	10%
	<b>Sub-total</b>	<b>869</b>	<b>2,500</b>	<b>549</b>	<b>440</b>	<b>66,974</b>	<b>80,030</b>	<b>9.8%</b>	<b>38.8%</b>	<b>34.8%</b>	<b>14.9%</b>	<b>1.7%</b>

## Hunter's Hill Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Stormwater drainage</b>	Stormwater drainage	33	275	201	112	7,819	9,438	10%	25%	50%	12%	3%
	<b>Sub-total</b>	<b>33</b>	<b>275</b>	<b>201</b>	<b>112</b>	<b>7,819</b>	<b>9,438</b>	<b>10.0%</b>	<b>25.0%</b>	<b>50.0%</b>	<b>12.0%</b>	<b>3.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>1,700</b>	<b>3,955</b>	<b>1,258</b>	<b>989</b>	<b>96,683</b>	<b>122,423</b>	<b>7.9%</b>	<b>39.7%</b>	<b>37.2%</b>	<b>13.8%</b>	<b>1.4%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required



## Hunter's Hill Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>704</u>	<b>36.36%</b>	76.56%	104.98%	>= 100%
Depreciation, amortisation and impairment	<u>1,936</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>1,700</u>	<b>2.04%</b>	1.91%	2.15%	< 2.00%
Net carrying amount of infrastructure assets	<u>83,163</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>989</u>	<b>78.62%</b>	105.76%	83.32%	> 100%
Required asset maintenance	<u>1,258</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>3,955</u>	<b>3.23%</b>	1.73%	1.25%	
Gross replacement cost	<u>122,423</u>				

## Notes

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

(1) Excludes Work In Progress (WIP)

(2) 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.