

# The former Hurstville City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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*An evolving city which promotes a sustainable  
and safe community that connects people and  
places and celebrates diversity.*



## The former Hurstville City Council

### General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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#### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Georges River Council on 14 December 2016. Council has the power to amend and reissue these financial statements.
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## The former Hurstville City Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

## Understanding Council's financial statements

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### Introduction

Following the amalgamation of Hurstville City Council and Kogarah City Council, this is the final set of accounts for the former Hurstville City Council. Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the reporting period 1/7/15 to 12/5/16.

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

### About the Administrator/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

#### 3. The Statement of Financial Position

This statement is an end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

#### 4. The Statement of Changes in Equity

The overall change for the reporting period (in dollars) of Council's 'net wealth'.

#### 5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

### Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

## The former Hurstville City Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

### Statement by Administrator and Management

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

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

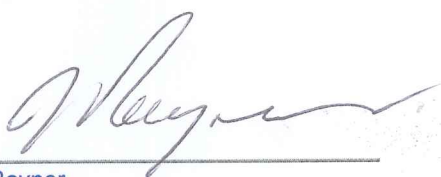
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

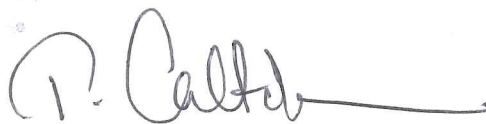
**Signed in accordance with a resolution of Georges River Council made on 13 December 2016.**



John Rayner  
Administrator



Gail Connolly  
Interim General Manager



Tino Caltabiano  
Responsible Accounting Officer

## The former Hurstville City Council

### Income Statement

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup> 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
n/a	Rates and annual charges	3a	45,648 <sup>2</sup>	45,817
n/a	User charges and fees	3b	8,364	9,183
n/a	Interest and investment revenue	3c	2,653	2,945
n/a	Other revenues	3d	5,555	5,614
n/a	Grants and contributions provided for operating purposes	3e,f	5,983 <sup>3</sup>	6,589
n/a	Grants and contributions provided for capital purposes	3e,f	10,706	12,711
<b>Other income:</b>				
n/a	Net gains from the disposal of assets	5	5,558	1,089
n/a	<b>Total income from continuing operations</b>		<b>84,467</b>	<b>83,948</b>
<b>Expenses from continuing operations</b>				
n/a	Employee benefits and on-costs	4a	25,546	28,684
n/a	Borrowing costs	4b	198	323
n/a	Materials and contracts	4c	17,792	19,699
n/a	Depreciation and amortisation	4d	8,306	9,887
n/a	Impairment	4d	–	118
n/a	Other expenses	4e	9,419	11,512
n/a	<b>Total expenses from continuing operations</b>		<b>61,261</b>	<b>70,223</b>
n/a	<b>Operating result from continuing operations</b>		<b>23,206</b>	<b>13,725</b>
n/a	<b>Net operating result for the period</b>		<b>23,206</b>	<b>13,725</b>
n/a	<b>Net operating result attributable to Council</b>		<b>23,206</b>	<b>13,725</b>
n/a	<b>Net operating result for the period before grants and contributions provided for capital purposes</b>		<b>12,500</b>	<b>1,014</b>

<sup>1</sup> Original budget as approved by Council is not required for these financial statements

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

<sup>3</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of Georges River Council.

## The former Hurstville City Council

### Statement of Comprehensive Income for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Net operating result for the period</b> (as per Income Statement)		<b>23,206</b>	<b>13,725</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	24,939	7,816
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>24,939</b>	<b>7,816</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Asset ownership amendment due to ongoing data validation	20b (ii)	–	(574)
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>(574)</b>
<b>Total other comprehensive income for the period</b>		<b>24,939</b>	<b>7,242</b>
<b>Total comprehensive income for the period</b>		<b>48,145</b>	<b>20,967</b>
<b>Total comprehensive income attributable to Council</b>		<b>48,145</b>	<b>20,967</b>

## The former Hurstville City Council

Statement of Financial Position  
as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	4,157	2,935
Investments	6b	40,884	35,279
Receivables	7	12,479	4,524
Inventories	8	99	89
Other	8	574	265
<b>Total current assets</b>		<b>58,193</b>	<b>43,092</b>
<b>Non-current assets</b>			
Investments	6b	29,000	24,000
Receivables	7	576	368
Infrastructure, property, plant and equipment	9	674,018	644,863
Investment property	14	15,100	17,694
Intangible assets	25	787	955
<b>Total non-current assets</b>		<b>719,481</b>	<b>687,880</b>
<b>TOTAL ASSETS</b>		<b>777,674</b>	<b>730,972</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	12,065	9,811
Borrowings	10	500	1,000
Provisions	10	8,433	8,877
<b>Total current liabilities</b>		<b>20,998</b>	<b>19,688</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	2,750	5,500
Provisions	10	174	177
<b>Total non-current liabilities</b>		<b>2,924</b>	<b>5,677</b>
<b>TOTAL LIABILITIES</b>		<b>23,922</b>	<b>25,365</b>
<b>Net assets</b>		<b>753,752</b>	<b>705,607</b>
<b>EQUITY</b>			
Retained earnings	20	429,981	406,775
Revaluation reserves	20	323,771	298,832
<b>Council equity interest</b>		<b>753,752</b>	<b>705,607</b>
<b>Total equity</b>		<b>753,752</b>	<b>705,607</b>

## The former Hurstville City Council

### Statement of Changes in Equity

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>1/7/15 to 12/5/16</b>						
<b>Opening balance</b> (as per last year's audited accounts)		406,775	298,832	<b>705,607</b>	–	<b>705,607</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/15)		<b>406,775</b>	<b>298,832</b>	<b>705,607</b>	–	<b>705,607</b>
<b>c. Net operating result for the period</b>		<b>23,206</b>	–	<b>23,206</b>	–	<b>23,206</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	24,939	<b>24,939</b>	–	<b>24,939</b>
<b>Other comprehensive income</b>		–	<b>24,939</b>	<b>24,939</b>	–	<b>24,939</b>
<b>Total comprehensive income</b> (c&d)		<b>23,206</b>	<b>24,939</b>	<b>48,145</b>	–	<b>48,145</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>429,981</b>	<b>323,771</b>	<b>753,752</b>	–	<b>753,752</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>1/7/14 to 30/6/15</b>						
<b>Opening balance</b> (as per last year's audited accounts)		393,050	291,590	<b>684,640</b>	–	<b>684,640</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/14)		<b>393,050</b>	<b>291,590</b>	<b>684,640</b>	–	<b>684,640</b>
<b>c. Net operating result for the year</b>		<b>13,725</b>	–	<b>13,725</b>	–	<b>13,725</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	7,816	<b>7,816</b>	–	<b>7,816</b>
– Other reserves movements	20b (ii)	–	(574)	<b>(574)</b>	–	<b>(574)</b>
<b>Other comprehensive income</b>		–	<b>7,242</b>	<b>7,242</b>	–	<b>7,242</b>
<b>Total comprehensive income</b> (c&d)		<b>13,725</b>	<b>7,242</b>	<b>20,967</b>	–	<b>20,967</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the year</b>		<b>406,775</b>	<b>298,832</b>	<b>705,607</b>	–	<b>705,607</b>



## The former Hurstville City Council

### Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup> 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
n/a	Rates and annual charges		37,598	45,714
n/a	User charges and fees		10,316	10,165
n/a	Investment and interest revenue received		2,751	2,625
n/a	Grants and contributions		16,898	18,415
n/a	Bonds, deposits and retention amounts received		1,109	970
n/a	Other		8,099	8,266
<b>Payments:</b>				
n/a	Employee benefits and on-costs		(26,547)	(28,700)
n/a	Materials and contracts		(19,427)	(20,999)
n/a	Borrowing costs		(198)	(323)
n/a	Bonds, deposits and retention amounts refunded		(1,131)	(1,100)
n/a	Other		(10,904)	(13,150)
n/a	<b>Net cash provided (or used in) operating activities</b>	11b	<b>18,565</b>	<b>21,882</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
n/a	Sale of investment securities		30,159	17,706
n/a	Sale of investment property		4,719	–
n/a	Sale of infrastructure, property, plant and equipment		4,268	2,534
<b>Payments:</b>				
n/a	Purchase of investment securities		(40,851)	(29,043)
n/a	Purchase of investment property		(70)	(137)
n/a	Purchase of infrastructure, property, plant and equipment		(12,318)	(13,048)
n/a	<b>Net cash provided (or used in) investing activities</b>		<b>(14,093)</b>	<b>(21,988)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
n/a	Repayment of borrowings and advances		(3,250)	(1,000)
n/a	<b>Net cash flow provided (used in) financing activities</b>		<b>(3,250)</b>	<b>(1,000)</b>
n/a	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,222</b>	<b>(1,105)</b>
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	2,935	4,041
n/a	<b>Cash and cash equivalents – end of reporting period</b>	11a	<b>4,157</b>	<b>2,935</b>
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	69,884	59,279
	<b>Total cash, cash equivalents and investments</b>		<b>74,041</b>	<b>62,214</b>

<sup>1</sup> The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

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

###### (iii) New and amended standards adopted by Council

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

###### (iv) Early adoption of accounting standards

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

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

###### (v) Basis of accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

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

###### (vi) Changes in accounting policies

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

##### (vii) Critical accounting estimates

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

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

##### (i) Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Hurstville City Council has been amalgamated into Georges River Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Georges River Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils

- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties

- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

- The former Hurstville City Council has not been liquidated nor has trading ceased.

(ii) Estimated fair values of investment properties

(iii) Estimated fair values of infrastructure, property, plant and equipment,

(iv) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### (b) Revenue recognition

###### Income recognition as a result of Council's amalgamation

The former Hurstville City Council was amalgamated on 12 May 2016 with the former Kogarah City Council to form the new Georges River Council.

In accordance with the Australian Accounting Standards the former Hurstville City Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or where earlier upon receipt of the rates.

The former Hurstville City Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016.

Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Georges River Council.

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

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

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

Revenue is measured on major income categories as follows:

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

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

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

Rates are recognised as revenue for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

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

Control over granted assets / contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been

secured, and is valued at their fair value at the date of transfer.

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

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

#### **User charges, fees and other Income**

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

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

#### Sale of infrastructure, property, plant and equipment

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

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

#### Other Income

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

#### (c) Principles of consolidation

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

#### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

#### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

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

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Associates

Council has no interest in any associates.

##### County councils

Council is not a member of any county councils.

##### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

#### (d) Leases

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



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Finance leases

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

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

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

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

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

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

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

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

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash

and that are subject to an insignificant risk of changes in value, and

- bank overdrafts.

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

##### (f) Investments and other financial assets

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

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

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

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

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

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

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

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

##### (ii) Loans and receivables

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

##### (iii) Held-to-maturity investments

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

##### (iv) Available-for-sale financial assets

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

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

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

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

##### Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading

category if the financial asset is no longer held for the purpose of selling it in the near term.

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

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

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

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

#### General accounting and measurement of financial instruments:

##### (i) Initial recognition

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

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

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

##### (ii) Subsequent measurement

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



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

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

#### Impairment

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

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

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

#### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

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

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### **(g) Fair value estimation – financial instruments**

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

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

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

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

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

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

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

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

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

##### **(h) Receivables**

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

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

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

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

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

##### **(i) Inventories**

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### (ii) Inventory held for distribution

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

##### (iii) Land held for resale/capitalisation of borrowing costs

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

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

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

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

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

##### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

###### Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)

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

Council has assessed the current carrying values of the above Asset Classes and do not believe that (at balance date) it is materially different from their fair value.

###### Initial recognition

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

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

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

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

###### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

#### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

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

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

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

Full revaluations are undertaken for all assets on a 5-year cycle.

#### Capitalisation thresholds

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

##### Land

- Council Land	100% Capitalised
- Open Space	100% Capitalised
- Land Under Roads (purchases after 30/6/08)	100% Capitalised

##### Plant and Equipment

Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant and Equipment	> \$2,000

##### Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$2,000

##### Other Structures

> \$2,000

##### Stormwater Assets

Drains and Culverts	100% Capitalised
Other	100% Capitalised

##### Transport Assets

Road construction and reconstruction	100% Capitalised
Reseal/Re-sheet and major repairs:	100% Capitalised

##### Other Infrastructure Assets

Other Open Space/Recreational Assets	> \$10,000
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#### Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

##### Plant and Equipment

- Office Equipment	3 to 10 years
- Office Furniture	10 to 15 years
- Vehicles	4 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other Plant and Equipment	3 to 15 years

##### Other Equipment

- Playground Equipment	10 years
- Benches, Seats etc	10 years

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Buildings

- Buildings 0 to 120 years  
remaining useful life as per independent valuation 30/06/13.

##### Stormwater Drainage

- Drains 0 to 150 years
- Culverts 0 to 150 years

##### Transportation Assets

- Sealed Roads: Surface 25 to 100 years
- Sealed Roads: Structure 25 to 100 years
- Kerb, Gutter and Paths 25 to 80 years

##### Other Infrastructure Assets

- Other Open Space/  
Recreational Assets 5 to 100 years

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

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

##### Disposal and Derecognition

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

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

##### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

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

##### (l) Land under roads

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

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

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

##### (m) Intangible assets

###### IT development and software

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

Costs capitalised include external direct costs of materials and services.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

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

##### (n) Crown reserves

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

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

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



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

##### (o) Rural fire service assets

Council does not control or recognise any Rural Fire Service assets in the Financial Statements.

##### (p) Investment property

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

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

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every 3 years with an appropriate index utilised each year in between the full revaluations.

The revaluation of council's investment property was performed in 2016 for the valuation as at 12 May 2016.

##### (q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

Council has no obligations relating to close down, restoration or remediation costs.

#### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

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

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

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

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

The results of discontinued operations are presented separately on the face of the Income Statement.

#### **(s) Impairment of assets**

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

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

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

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

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

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

##### (t) Payables

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

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

##### (u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

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

- Council has a present legal or constructive obligation as a result of past events,

- it is more likely than not that an outflow of resources will be required to settle the obligation, and

- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

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

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

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

##### (x) Employee benefits

###### (i) Short-term obligations

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

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

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

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



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

#### (ii) Other long-term obligations

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

#### (iii) Retirement benefit obligations

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

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

#### Defined benefit plans

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

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

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

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/2016 and covers the period ended 30/06/2015.

However the position is monitored annually and the actuary has estimated that as at 12 May 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an

## The former Hurstville City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$688,893.

The amount of additional contributions included in the total employer contribution advised above is \$360,375.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$525,368 as at 30 June 2016.

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

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

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

#### Defined contribution plans

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

#### (iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

#### (y) Self-insurance

Council does not self-insure.

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

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

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

#### Exceptions

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

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

#### (aa) Taxes

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

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

#### Goods and Services Tax (GST)

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

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

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

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

#### **AASB 9 – Financial Instruments**

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

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

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

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

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

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

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

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

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

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

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

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

#### **AASB ED 260 Income of Not-for-Profit Entities**

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

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

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

#### **AASB16 – Leases**

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

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

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

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

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

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

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

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

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

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative figures**

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

#### **(ae) Disclaimer**

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

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Governance	n/a	–	1	n/a	972	1,370	n/a	(972)	(1,370)	–	–	581	126
Social and cultural development	n/a	6,660	8,784	n/a	17,958	21,460	n/a	(11,298)	(12,676)	1,571	2,863	125,842	124,049
Environmental sustainability	n/a	13,822	13,243	n/a	12,502	13,543	n/a	1,320	(300)	498	831	79,263	76,620
Economic prosperity	n/a	24,577	23,007	n/a	17,368	19,689	n/a	7,209	3,319	973	491	527,345	488,225
Civic leadership	n/a	1,232	1,050	n/a	12,462	14,161	n/a	(11,230)	(13,112)	–	–	44,643	41,952
<b>Total functions and activities</b>	<b>n/a</b>	<b>46,290</b>	<b>46,085</b>	<b>n/a</b>	<b>61,261</b>	<b>70,223</b>	<b>n/a</b>	<b>(14,971)</b>	<b>(24,139)</b>	<b>3,041</b>	<b>4,185</b>	<b>777,674</b>	<b>730,972</b>
General purpose income <sup>2</sup>	n/a	38,177	37,863	n/a	–	–	n/a	38,177	37,863	2,866	2,899	–	–
<b>Operating result from continuing operations</b>	<b>n/a</b>	<b>84,467</b>	<b>83,948</b>	<b>n/a</b>	<b>61,261</b>	<b>70,223</b>	<b>n/a</b>	<b>23,206</b>	<b>13,725</b>	<b>5,907</b>	<b>7,084</b>	<b>777,674</b>	<b>730,972</b>

1. Original Budget disclosures are not required for these financial statements.

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

##### **GOVERNANCE**

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

##### **SOCIAL AND CULTURAL DEVELOPMENT PILLAR**

*Goal: Creating a diverse, harmonious and inclusive City that provides a range of social, cultural, educational and leisure opportunities*

Golf Course, Tennis Courts, Aquatic Leisure Centre, Library, Museum and Gallery, Cleaning Community Centres, Festivals, Entertainment Centre, Children Services, Community Services, Community Centres, Senior Citizens, Community Grants, Parks, Gardens and Reserves, Graffiti, Street Lighting, Maintenance of Council's Buildings.

##### **ENVIRONMENTAL SUSTAINABILITY PILLAR**

*Goal: Protecting and improving the City's natural and built environments and cultural assets for the health, well-being and benefit of current and future residents.*

Environmental Sustainability, Animal Management, Environmental Health Services, Enforcement of Local Government Regulations, Waste Management, Tree Maintenance, Cleaning of Drains and Gross Pollutant Traps (GPT's), State Emergency Service, Bushland Management.

##### **ECONOMIC PROSPERITY PILLAR**

*Goal: Increasing Hurstville's level of income and capital, and distributing this wealth to the community in the form of local facilities, services and jobs.*

Fire Management Contribution, Section 94 Developer Contributions, CBD Masterplan, Commercial Properties, Development Assessment, Strategic Planning, Building Control, Town Improvement programs, Street Cleansing, Engineering Depot, Roads Maintenance and Renewal, Mobile Plant, Revenue Works, Drainage Construction, Car Parking Maintenance and Control, Footpath Maintenance.

##### **CIVIC LEADERSHIP PILLAR**

*Goal: A highly effective, efficient and accountable organisation which engages with the community to provide responsive and relevant services.*

Customer Service, Financial Services, Corporate Services, Management Information Services, Records, Public Relations, Management, Corporate Planning, Risk Management, Supply, Executive Support, Engineering Administration, Vehicle Maintenance, Human Resources, Internal Audit and Ombudsman Program.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
<b>(a) Rates and annual charges <sup>1,2</sup></b>			
<b>Ordinary rates</b>			
Residential		28,021	27,403
Business		5,972	6,005
<b>Total ordinary rates</b>		<b>33,993</b>	<b>33,408</b>
<b>Special rates</b>			
Town improvement		584	564
<b>Total special rates</b>		<b>584</b>	<b>564</b>
\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		9,517	10,839
Stormwater management services		599	–
Waste management services (non-domestic)		911	963
Section 611 charges		44	43
<b>Total annual charges</b>		<b>11,071</b>	<b>11,845</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>45,648</b>	<b>45,817</b>

<sup>1</sup> Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		57	79
<b>Total user charges</b>		<b>57</b>	<b>79</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		3,009	2,569
Section 603 certificates		94	115
<b>Total fees and charges – statutory/regulatory</b>		<b>3,103</b>	<b>2,684</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care		1,603	2,050
Community services		12	13
Golf course		541	579
Leaseback fees – Council vehicles		236	266
Leisure centre		1,609	1,718
Library		88	114
Parks income		54	171
Public halls		535	621
Restoration charges		418	646
Tennis courts		70	70
Other		38	172
<b>Total fees and charges – other</b>		<b>5,204</b>	<b>6,420</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>8,364</b>	<b>9,183</b>



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		79	95
– Interest earned on investments (interest and coupon payment income)		2,661	2,791
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		(87)	59
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<u>2,653</u>	<u>2,945</u>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		79	95
General Council cash and investments		1,183	1,461
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		1,094	1,019
Domestic waste management operations		126	92
LIRS – Jubilee park project		42	136
Town improvement levy		73	142
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		56	–
<b>Total interest and investment revenue recognised</b>		<u>2,653</u>	<u>2,945</u>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	–	400
Rental income – investment properties	14	1,259	1,636
Rental income – other council properties		928	852
Fines		1,676	1,870
Legal fees recovery – rates and charges (extra charges)		31	79
Legal fees recovery – other		335	258
Commissions and agency fees		5	80
Insurance claim recoveries		338	93
Workers compensation rebate		83	60
Carbon tax refund		496	–
Other		404	286
<b>TOTAL OTHER REVENUE</b>		<u>5,555</u>	<u>5,614</u>

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	2,353 <sup>1</sup>	2,372	–	–
Pensioners' rates subsidies – general component	513	527	–	–
<b>Total general purpose</b>	<b>2,866</b>	<b>2,899</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	162	166	–	–
Child care	1,026	1,889	–	–
Community services	80	80	–	84
Environmental protection	–	–	–	286
Floodplain management	–	141	–	–
Library	159	157	56	256
Local infrastructure renewal scheme	73	160	–	–
Parks	–	–	56	47
Street lighting	159	183	–	–
Transport (roads to recovery)	833	291	–	–
Transport (other roads and bridges funding)	–	–	140	200
Waste management	297	207	–	30
Other	–	8	–	–
<b>Total specific purpose</b>	<b>2,789</b>	<b>3,282</b>	<b>252</b>	<b>903</b>
<b>Total grants</b>	<b>5,655</b>	<b>6,181</b>	<b>252</b>	<b>903</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,952	2,114	–	84
– State funding	3,613	4,065	–	649
– Other funding	90	2	252	170
	<b>5,655</b>	<b>6,181</b>	<b>252</b>	<b>903</b>

<sup>1</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured  
As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	31	31	9,701	10,801
<b>Total developer contributions</b> 17	<b>31</b>	<b>31</b>	<b>9,701</b>	<b>10,801</b>
<b>Other contributions:</b>				
DA contributions to legal fees	18	43	–	–
Developer constructed assets	–	–	153	598
Kerb and gutter	–	–	74	83
Parks – contribution by Sporting club	–	–	75	74
RMS contributions (regional roads, block grant)	226	260	451	252
Waste management projects	38	42	–	–
Other	15	32	–	–
<b>Total other contributions</b>	<b>297</b>	<b>377</b>	<b>753</b>	<b>1,007</b>
<b>Total contributions</b>	<b>328</b>	<b>408</b>	<b>10,454</b>	<b>11,808</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>5,983</b>	<b>6,589</b>	<b>10,706</b>	<b>12,711</b>

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	27,495	15,834
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	11,053	12,695
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(2,282)	(1,034)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>8,771</b>	<b>11,661</b>
<b>Unexpended and held as restricted assets</b>	<b>36,266</b>	<b>27,495</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,186	1,283
– Developer contributions	35,080	26,212
	<b>36,266</b>	<b>27,495</b>

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		19,690	21,694
Travel expenses		31	67
Employee leave entitlements (ELE)		2,647	2,514
Superannuation – defined contribution plans		1,709	1,915
Superannuation – defined benefit plans		689	859
Workers' compensation insurance		824	1,268
Fringe benefit tax (FBT)		76	121
Training costs (other than salaries and wages)		192	246
<b>Total employee costs</b>		<b>25,858</b>	<b>28,684</b>
Less: capitalised costs		(312)	–
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>25,546</b>	<b>28,684</b>
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		<b>309</b>	<b>316</b>
Number of 'full-time equivalent' employees (FTE) at 12/5/2016 (incl. vacancies)		<b>315</b>	<b>323</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		198	323
<b>Total interest bearing liability costs expensed</b>		<b>198</b>	<b>323</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>198</b>	<b>323</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		635	627
Contractor and consultancy costs			
– Consultancy costs		1,412	1,817
– Contractors (various services)		3,235	3,113
– Waste services		9,271	10,020
Auditors remuneration <sup>(1)</sup>		78	73
Legal expenses:			
– Legal expenses: planning and development		505	999
– Legal expenses: other		600	635
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		178	282
IT expenses		894	893
Motor vehicle expenses		726	885
Other		258	355
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>17,792</b>	<b>19,699</b>

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
<b>Audit and other assurance services</b>			
		60	62
		18	11
		<b>78</b>	<b>73</b>
<b>Remuneration for audit and other assurance services</b>			
		<b>78</b>	<b>73</b>
<b>Total Auditor remuneration</b>			
		<b>78</b>	<b>73</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		97	188
Other		81	94
		<b>178</b>	<b>282</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Plant and equipment		–	–	1,100	1,345
Office equipment		–	–	105	128
Furniture and fittings		–	–	104	113
Infrastructure:					
– Buildings – non-specialised		–	–	1,028	1,239
– Buildings – specialised		–	118	661	756
– Other structures		–	–	84	92
– Roads		–	–	2,711	3,276
– Footpaths		–	–	540	624
– Stormwater drainage		–	–	583	670
– Other open space/recreational assets		–	–	859	993
Other assets					
– Library books		–	–	224	320
Impairment losses/(reversals)					
Intangible assets	25	–	–	307	331
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>118</b>	<b>8,306</b>	<b>9,887</b>

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(e) Other expenses</b>			
Other expenses for the period include the following:			
Advertising		272	290
Bad and doubtful debts		–	84
Bank charges		10	16
Catering food and beverage		182	225
Child care – family day care educator payments		1	633
Commission charges		493	400
– Department of planning levy		155	151
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,007	1,112
– Other contributions/levies		–	3
Councillor expenses – mayoral fee		52	61
Councillor expenses – councillors' fees		223	283
Councillors' expenses (incl. mayor) – other (excluding fees above)		48	85
Donations, contributions and assistance to other organisations (Section 356)		423	398
Election expenses		–	1
Electricity and heating		719	992
Exhibitions, festivals and events		408	532
Fair value decrements – investment properties	14	234	–
Insurance		753	944
Memberships and subscriptions		176	222
Postage		93	185
Printing and stationery		221	266
Property expenses – other		1,941	2,100
Property expenses – utilities		561	753
Street lighting		1,072	1,284
Telephone and communications		150	218
Valuation fees		148	166
Other		77	108
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>9,419</u></b>	<b><u>11,512</u></b>

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		300	1,531
Less: carrying amount of property assets sold/written off		(337)	(454)
<b>Net gain/(loss) on disposal</b>		<b>(37)</b>	<b>1,077</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		871	1,001
Less: carrying amount of plant and equipment assets sold/written off		(616)	(955)
<b>Net gain/(loss) on disposal</b>		<b>255</b>	<b>46</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(33)	(29)
<b>Net gain/(loss) on disposal</b>		<b>(33)</b>	<b>(29)</b>
<b>Investment properties</b>			
Proceeds from disposal – investment properties		4,719	–
Less: carrying amount of investment properties sold/written off		(2,430)	–
<b>Net gain/(loss) on disposal</b>		<b>2,289</b>	<b>–</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		30,159	17,706
Less: carrying amount of financial assets sold/redeemed/matured		(30,159)	(17,706)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Office equipment</b>			
Proceeds from disposal – Office equipment		2	2
<b>Net gain/(loss) on disposal</b>		<b>2</b>	<b>2</b>
<b>Library collection</b>			
Less: carrying amount of Library collection assets sold/written off		(13)	(7)
<b>Net gain/(loss) on disposal</b>		<b>(13)</b>	<b>(7)</b>
<b>Land</b>			
Proceeds from disposal – Land		3,095	–
<b>Net gain/(loss) on disposal</b>		<b>3,095</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>5,558</b>	<b>1,089</b>

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		2,157	–	935	–
Cash-equivalent assets					
– Deposits at call		2,000	–	2,000	–
<b>Total cash and cash equivalents</b>		<b>4,157</b>	<b>–</b>	<b>2,935</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		15,000	29,000	23,000	24,000
– NCD's, FRN's (with maturities > 3 months)		25,884	–	12,279	–
<b>Total investments</b>		<b>40,884</b>	<b>29,000</b>	<b>35,279</b>	<b>24,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>45,041</b>	<b>29,000</b>	<b>38,214</b>	<b>24,000</b>

Cash, cash equivalents and investments were classified at end of period in accordance with AASB 139 as follows:

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'

	<b>4,157</b>	<b>–</b>	<b>2,935</b>	<b>–</b>
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**Investments**

a. 'At fair value through the profit and loss'

– 'Held for trading'

6(b-i)	25,884	–	12,279	–
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b. 'Held to maturity'

6(b-ii)	15,000	29,000	23,000	24,000
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**Investments**

	<b>40,884</b>	<b>29,000</b>	<b>35,279</b>	<b>24,000</b>
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.



## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 6b. investments (continued)

\$ '000	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at beginning of period	12,279	–	14,883	–
Revaluations (through the Income Statement)	(87)	–	59	–
Additions	18,851	–	8,043	–
Disposals (sales and redemptions)	(5,159)	–	(10,706)	–
<b>Balance at end of period</b>	<b>25,884</b>	<b>–</b>	<b>12,279</b>	<b>–</b>
<b>Comprising:</b>				
– NCD's, FRN's (with maturities > 3 months)	25,884	–	12,279	–
<b>Total</b>	<b>25,884</b>	<b>–</b>	<b>12,279</b>	<b>–</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at beginning of period	23,000	24,000	3,000	30,000
Additions	6,000	16,000	9,000	12,000
Disposals (sales and redemptions)	(25,000)	–	(7,000)	–
Transfers between current/non-current	11,000	(11,000)	18,000	(18,000)
<b>Balance at end of period</b>	<b>15,000</b>	<b>29,000</b>	<b>23,000</b>	<b>24,000</b>
<b>Comprising:</b>				
– Long term deposits	15,000	29,000	23,000	24,000
<b>Total</b>	<b>15,000</b>	<b>29,000</b>	<b>23,000</b>	<b>24,000</b>

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	45,041	29,000	38,214	24,000
<b>attributable to:</b>				
External restrictions (refer below)	12,723	29,000	9,695	24,000
Internal restrictions (refer below)	27,711	–	19,325	–
Unrestricted	4,607	–	9,194	–
	<b>45,041</b>	<b>29,000</b>	<b>38,214</b>	<b>24,000</b>

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general (A)	935	–	(92)	843
<b>External restrictions – included in liabilities</b>	<b>935</b>	<b>–</b>	<b>(92)</b>	<b>843</b>

**External restrictions – other**

Developer contributions – general (B)	26,212	10,826	(1,958)	35,080
Specific purpose unexpended grants (C)	1,283	–	(97)	1,186
Domestic waste management (D)	2,203	940	–	3,143
Special rate levy	78	227	(67)	239
Town improvement levy	2,984	351	(2,102)	1,232
<b>External restrictions – other</b>	<b>32,760</b>	<b>12,344</b>	<b>(4,224)</b>	<b>40,880</b>
<b>Total external restrictions</b>	<b>33,695</b>	<b>12,344</b>	<b>(4,316)</b>	<b>41,723</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** Domestic Waste Management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	1,423	856	(973)	1,306
Employees leave entitlement	2,263	–	–	2,263
Deposits, retentions and bonds	1,826	–	–	1,826
Building maintenance	1,166	173	(220)	1,119
Building replacement	855	87	(4)	937
CBD masterplan	6,461	195	(126)	6,530
Childcare equipment	36	13	(14)	35
Election reserve	325	104	–	429
Golf course improvement	30	26	–	56
Golf club contribution	46	27	–	73
Mayor's community fund	20	–	–	20
Office technology	161	43	(68)	136
Property asset	4,230	5,025	(93)	9,162
Property realignment	131	2,963	–	3,094
Revolving energy fund	98	18	–	116
Street decorations	69	7	–	76
Tree preservation	185	29	–	214
CDO Recovery	–	320	–	320
<b>Total internal restrictions</b>	<b>19,325</b>	<b>9,885</b>	<b>(1,499)</b>	<b>27,711</b>
<b>TOTAL RESTRICTIONS</b>	<b>53,020</b>	<b>22,229</b>	<b>(5,814)</b>	<b>69,434</b>

## The former Hurstville City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Purpose</b>					
Rates and annual charges		8,975 <sup>1</sup>	295 <sup>1</sup>	993	227
Interest and extra charges		32	66	49	71
User charges and fees		639	215	663	120
Contributions to works		139	–	55	–
Accrued revenues					
– Interest on investments		1,175	–	1,164	–
– Other income accruals		748	–	514	–
Government grants and subsidies		558	44	664	–
Net GST receivable		224	–	501	–
Other debtors		68	6	–	–
<b>Total</b>		<b>12,558</b>	<b>626</b>	<b>4,603</b>	<b>418</b>
<b>Less: provision for impairment</b>					
User charges and fees		(79)	(50)	(79)	(50)
<b>Total provision for impairment – receivables</b>		<b>(79)</b>	<b>(50)</b>	<b>(79)</b>	<b>(50)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>12,479</u></b>	<b><u>576</u></b>	<b><u>4,524</u></b>	<b><u>368</u></b>
<b>Externally restricted receivables</b>					
Domestic waste management		2,083	84	215	65
Town improvement		102	5	20	3
Stormwater management		197	–	–	–
<b>Total external restrictions</b>		<b>2,383</b>	<b>89</b>	<b>235</b>	<b>68</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>10,096</b>	<b>487</b>	<b>4,289</b>	<b>300</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>12,479</u></b>	<b><u>576</u></b>	<b><u>4,524</u></b>	<b><u>368</u></b>

<sup>1</sup> The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date

#### Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property. Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		99	–	89	–
<b>Total inventories at cost</b>		<b>99</b>	<b>–</b>	<b>89</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>99</b>	<b>–</b>	<b>89</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		537	–	228	–
Deposit to supplier		37	–	37	–
<b>TOTAL OTHER ASSETS</b>		<b>574</b>	<b>–</b>	<b>265</b>	<b>–</b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

#### Other disclosures

#### Inventory write downs

\$3,229 was recognised as an expense relating to the write down of inventory balances held during the period.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	as at 30/6/2015				Asset movements during the reporting period								as at 12/5/2016			
	At	At	Accumulated	Carrying	Additions	Additions	Carrying	Depreciation	WIP	Adjustments	Revaluation	Revaluation	At	At	Accumulated	Carrying
	cost	fair value	depreciation	value	renewals	new assets	value of disposals	expense	transfers	and transfers	decrements to equity (ARR)	increments to equity (ARR)	cost	fair value	depreciation	value
Capital work in progress	4,702	–	–	4,702	2,944	422	–	–	(3,974)	–	–	–	4,094	–	–	4,094
Plant and equipment	–	10,930	6,505	4,425	1,967	–	(615)	(1,100)	74	–	–	–	–	11,441	6,690	4,751
Office equipment	–	1,100	800	300	46	–	–	(105)	–	–	–	–	–	1,147	906	241
Furniture and fittings	–	1,850	1,241	609	82	–	–	(104)	–	–	–	–	–	1,931	1,344	587
<b>Land:</b>																
– Operational land	–	136,166	–	136,166	–	–	–	–	–	4,007	–	22,432	–	162,605	–	162,605
– Community land	–	40,288	–	40,288	–	–	–	–	47	62	–	1,653	–	42,050	–	42,050
– Council controlled land	–	9,096	–	9,096	–	–	–	–	–	–	–	980	–	10,076	–	10,076
– Land under roads (post 30/6/08)	–	727	–	727	–	–	–	–	–	–	–	–	–	727	–	727
Land improvements – non-depreciable	–	8,123	–	8,123	138	–	–	–	–	(4,528)	(1,825)	–	–	1,908	–	1,908
<b>Infrastructure:</b>																
– Buildings – non-specialised	–	79,006	41,366	37,640	362	981	(337)	(1,028)	3,836	10	–	–	–	83,850	42,386	41,464
– Buildings – specialised	–	45,163	19,527	25,636	154	21	–	(661)	–	(10)	–	–	–	45,210	20,070	25,140
– Other structures	–	4,145	457	3,688	6	–	–	(84)	–	–	(2,394)	–	–	1,305	89	1,216
– Roads	–	289,434	83,968	205,466	3,166	–	–	(2,711)	–	–	–	–	–	292,600	86,679	205,921
– Footpaths	–	47,890	17,603	30,287	878	155	–	(540)	–	–	–	–	–	48,923	18,143	30,780
– Bulk earthworks (non-depreciable)	–	66,077	–	66,077	–	–	–	–	–	–	–	–	–	66,077	–	66,077
– Stormwater drainage	–	98,616	43,154	55,462	324	522	(34)	(583)	–	–	–	–	–	99,390	43,699	55,691
– Other open space/recreational assets	–	25,278	9,599	15,679	842	–	–	(859)	17	459	–	4,093	–	30,087	9,856	20,231
<b>Other assets:</b>																
– Library collection	–	3,064	2,572	492	–	204	(13)	(224)	–	–	–	–	–	3,054	2,595	459
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>4,702</b>	<b>866,953</b>	<b>226,792</b>	<b>644,863</b>	<b>10,909</b>	<b>2,305</b>	<b>(999)</b>	<b>(7,999)</b>	<b>–</b>	<b>–</b>	<b>(4,219)</b>	<b>29,158</b>	<b>4,094</b>	<b>902,381</b>	<b>232,457</b>	<b>674,018</b>

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## The former Hurstville City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Domestic waste management</b>								
Plant and equipment	–	2,708	2,112	<b>596</b>	–	2,704	1,984	<b>720</b>
<b>Total DWM</b>	<b>–</b>	<b>2,708</b>	<b>2,112</b>	<b>596</b>	<b>–</b>	<b>2,704</b>	<b>1,984</b>	<b>720</b>
<b>Other restricted assets</b>								
Plant and equipment	–	26	7	<b>19</b>	–	26	1	<b>25</b>
<b>Total other restrictions</b>	<b>–</b>	<b>26</b>	<b>7</b>	<b>19</b>	<b>–</b>	<b>26</b>	<b>1</b>	<b>25</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>2,734</b>	<b>2,119</b>	<b>615</b>	<b>–</b>	<b>2,730</b>	<b>1,986</b>	<b>745</b>

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

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Impairment losses recognised in the Income Statement:			
– Leachate infrastructure damaged in severe weather. Insurance claim		–	(118)
<b>Total impairment losses</b>		<b>–</b>	<b>(118)</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4(d)	<b>–</b>	<b>(118)</b>

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Payables</b>					
Goods and services – operating expenditure		2,321	–	2,167	–
Goods and services – capital expenditure		1,556	–	674	–
Payments received in advance		2,081	–	894	–
Accrued expenses:					
– Salaries and wages		398	–	871	–
– Other expenditure accruals		1,672	–	1,073	–
Security bonds, deposits and retentions		3,993	–	4,015	–
ATO – FBT payable		–	–	31	–
Other		44	–	86	–
<b>Total payables</b>		<b>12,065</b>	<b>–</b>	<b>9,811</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		500	2,750	1,000	5,500
<b>Total borrowings</b>		<b>500</b>	<b>2,750</b>	<b>1,000</b>	<b>5,500</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,958	–	2,107	–
Sick leave		509	–	682	–
Long service leave		5,612	174	5,731	177
Gratuities		216	–	202	–
Other leave – RDO and TOIL		138	–	155	–
<b>Total provisions</b>		<b>8,433</b>	<b>174</b>	<b>8,877</b>	<b>177</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>20,998</b>	<b>2,924</b>	<b>19,688</b>	<b>5,677</b>

**(i) Liabilities relating to restricted assets**

There are no restricted assets (external or internal) applicable to the above liabilities.

<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 15.



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,506	5,923
Payables – security bonds, deposits and retentions	2,693	2,915
	<u>8,199</u>	<u>8,838</u>

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

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16			Unused amounts reversed	Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Gratuities	202	16	(8)	6	–	216
<b>TOTAL</b>	<b>202</b>	<b>16</b>	<b>(8)</b>	<b>6</b>	<b>–</b>	<b>216</b>

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	4,157	2,935
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>4,157</b>	<b>2,935</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>23,206</b>	<b>13,725</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		8,306	9,887
Net losses/(gains) on disposal of assets		(5,558)	(1,089)
Non-cash capital grants and contributions		(153)	(598)
Impairment losses recognition – I,PP&E		–	118
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		87	(59)
– Investment properties		234	(400)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(8,163)	(884)
Increase/(decrease) in provision for doubtful debts		–	84
Decrease/(increase) in inventories		(10)	10
Decrease/(increase) in other assets		(309)	(8)
Increase/(decrease) in payables		154	661
Increase/(decrease) in other accrued expenses payable		126	655
Increase/(decrease) in other liabilities		1,092	(39)
Increase/(decrease) in employee leave entitlements		(447)	(180)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>18,565</b>	<b>21,882</b>

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(c) Non-cash investing and financing activities</b>			
Other non-cash items		153	598
<b>Total non-cash investing and financing activities</b>		<b>153</b>	<b>598</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		150	150
Credit cards/purchase cards		148	157
<b>Total financing arrangements</b>		<b>298</b>	<b>307</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		22	13
<b>Total financing arrangements utilised</b>		<b>22</b>	<b>13</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		586	195
Plant and equipment		29	61
Parks – play equipment and sporting fields		690	221
Infrastructure		1,973	108
<b>Investment property</b>			
– Buildings		37	–
<b>Total commitments</b>		<b>3,316</b>	<b>585</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		3,316	585
<b>Total payable</b>		<b>3,316</b>	<b>585</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		1,008	66
Sect 64 and 94 funds/reserves		649	69
Unexpended grants		183	223
Externally restricted reserves		695	62
Internally restricted reserves		423	72
Unexpended loans		163	50
Other funding - infrastructure plus levy		194	43
<b>Total sources of funding</b>		<b>3,316</b>	<b>585</b>

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		169	170
Later than one year and not later than 5 years		61	180
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>230</b>	<b>349</b>
<b>b. Non-cancellable operating leases include the following assets:</b>			
Office equipment – computers, scanners, printer/photocopier fleet			
– Lease term is 4 years for computer hardware and 5 years for printer/photocopier fleet			
– No renewal options, period can be extended or Council can pay residual and own it outright			
– No other specific conditions			
Contingent rentals may be payable depending on the condition of items or usage during the lease term.			
<b>Conditions relating to operating leases:</b>			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			
<b>(d) Investment property commitments</b>			
Non-capital expenditure on investment properties committed for at the reporting date but not recognised in the financial statements as liabilities:			
Contractual obligations – repairs and maintenance		170	169
Contractual obligations – other		263	263
<b>Total commitments</b>		<b>432</b>	<b>431</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		145	144
Later than one year and not later than 5 years		287	288
Later than 5 years		–	–
<b>Total payable</b>		<b>432</b>	<b>431</b>
<b>(e) Investment in joint operations – commitments</b>			
For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)			

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
<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>7,263</u>	<b>10.64%</b>	-0.77%	-0.72%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>68,290</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>62,307</u>	<b>78.87%</b>	76.58%	86.27%
Total continuing operating revenue <sup>(1)</sup>	<u>78,996</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>43,087</u>	<b>3.37x</b>	3.06x	2.04x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>12,799</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>15,767</u>	<b>4.57x</b>	7.40x	6.97x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>3,448</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>9,368</u>	<b>19.89%</b>	2.84%	2.52%
Rates, annual and extra charges collectible	<u>47,098</u>			
<b>6. Cash expense cover ratio</b>				
Current period's cash and cash equivalents plus all term deposits	<u>48,157</u>	<b>9.40 mths</b>	9.2 mths	7.5 mths
Payments from cash flow of operating and financing activities	<u>5,121</u>			

#### 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.

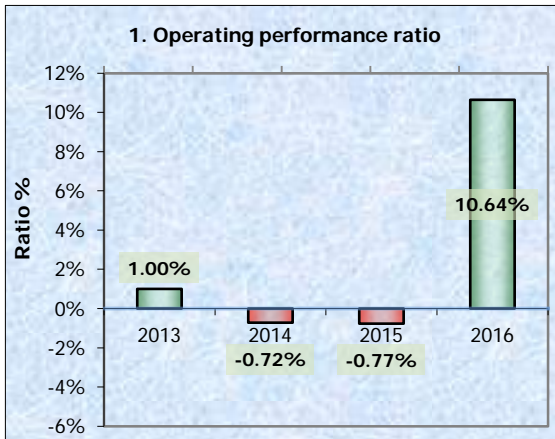
<sup>(3)</sup> Refer to Note 10(a).

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

# The former Hurstville City Council

## Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

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

**Commentary on 12/5/16 result**

**12/5/16 ratio 10.64%**

Rates Revenue has been recorded to 30 June 2016 against expenditure to 12 May 2016.

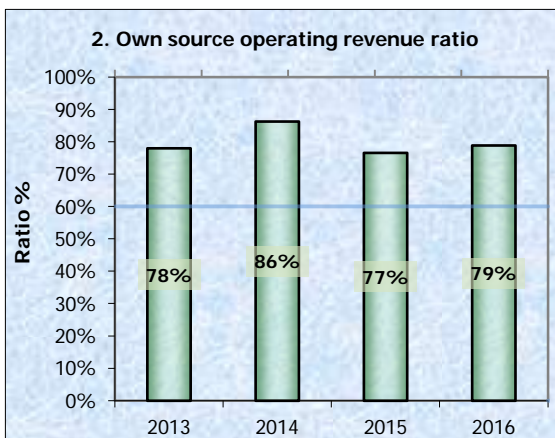
Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24



Ratio achieves benchmark

Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 12/5/16 result**

**12/5/16 ratio 78.87%**

This indicator has remained consistent and is well above the benchmark.

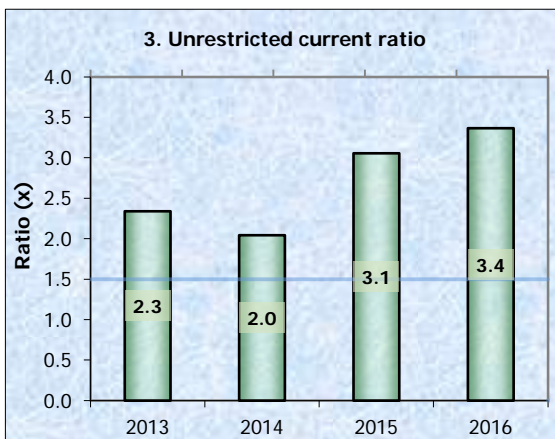
Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24



Ratio achieves benchmark

Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 12/5/16 result**

**12/5/16 ratio 3.37x**

Cash balance held in short-term investments increased in 2015/16.

Benchmark: ——— Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24



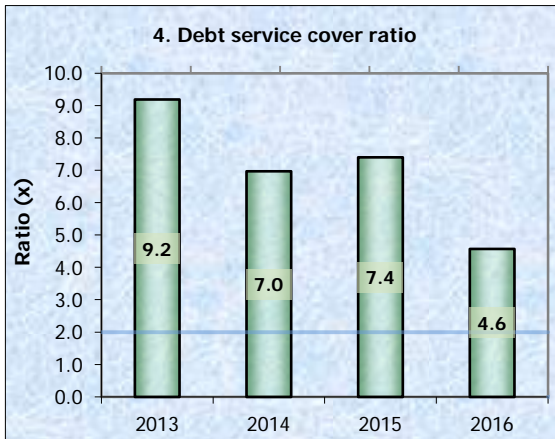
Ratio achieves benchmark

Ratio is outside benchmark

# The former Hurstville City Council

## Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of debt service cover ratio**

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

**Commentary on 12/5/16 result**

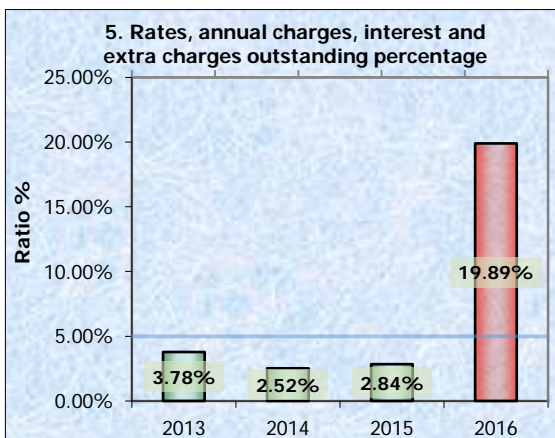
**12/5/16 ratio 4.57x**

Hurstville Aquatic Leisure Centre loan was retired and Jubilee Park upgrade loan was serviced in terms of the scheduled contract terms.

Benchmark: Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 12/5/16 result**

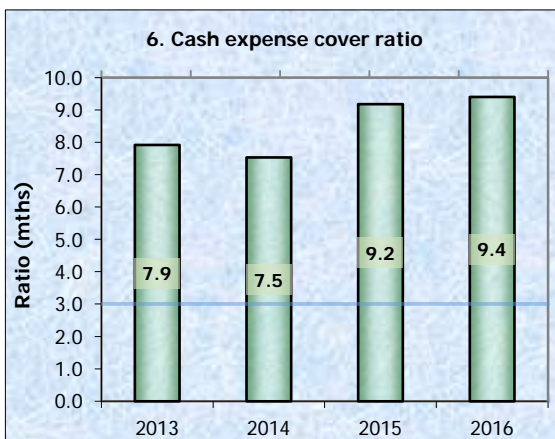
**12/5/16 ratio 19.89%**

Rates Revenue has been recorded to 30 June 2016 against expenditure to 12 May 2016.

Benchmark: Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 12/5/16 result**

**12/5/16 ratio 9.40 mths**

Stable cash holdings resulted in a marginal increase in the ratio.

Benchmark: Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 14. Investment properties

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>15,100</u>	<u>17,694</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		17,694	11,637
– Acquisitions		70	137
– Disposals during period		(2,430)	–
– Net gain/(loss) from fair value adjustments		(234)	400
– Other movements		–	5,520
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>15,100</u></b>	<b><u>17,694</u></b>
<b>(b) Valuation basis</b>			
<p>The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.</p> <p>The valuations were performed by Martin Burns - Liquid Property Consultants. A minor decrement was recorded mainly due to vacancies from the refurbishment of Hurstville House Level 2 and several ongoing monthly lease agreements affecting the future income commitment used in Investment Property valuation methodology.</p> <p>The Investment Property disposal relates to the sale of retail suite's at Waratah Hospital, Hurstville.</p>			
<b>(c) Contractual obligations at reporting date</b>			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
<b>(d) Leasing arrangements</b>			
Details of leased investment properties are as follows;			
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:			
Within 1 year		1,325	1,579
Later than 1 year but less than 5 years		2,984	3,203
Later than 5 years		–	987
<b>Total minimum lease payments receivable</b>		<b><u>4,309</u></b>	<b><u>5,769</u></b>
<b>(e) Investment property income and expenditure – summary</b>			
<b>Rental income from investment properties:</b>			
– Minimum lease payments		1,259	1,636
<b>Direct operating expenses on investment properties:</b>			
– that generated rental income		(759)	(673)
<b>Net revenue contribution from investment properties</b>		<b><u>500</u></b>	<b><u>963</u></b>
plus:			
<b>Fair value movement for period</b>		<b><u>(234)</u></b>	<b><u>400</u></b>
<b>Total income attributable to investment properties</b>		<b><u>266</u></b>	<b><u>1,363</u></b>

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
<b>Financial assets</b>				
Cash and cash equivalents	4,157	2,935	4,157	2,935
Investments				
– 'Held for trading'	25,884	12,279	25,884	12,279
– 'Held to maturity'	44,000	47,000	44,000	47,000
Receivables	13,055	4,892	13,055	4,892
<b>Total financial assets</b>	<b>87,096</b>	<b>67,106</b>	<b>87,096</b>	<b>67,106</b>
<b>Financial liabilities</b>				
Payables	9,984	8,917	9,984	8,917
Loans/advances	3,250	6,500	3,250	6,500
<b>Total financial liabilities</b>	<b>13,234</b>	<b>15,417</b>	<b>13,234</b>	<b>15,417</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.

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

#### (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.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>1/7/15 to 12/5/16</b>				
Possible impact of a 10% movement in market values	176	176	(176)	(176)
Possible impact of a 1% movement in interest rates	649	649	(649)	(649)
<b>1/7/14 to 30/6/15</b>				
Possible impact of a 10% movement in market values	268	268	(268)	(268)
Possible impact of a 1% movement in interest rates	60	60	(60)	(60)

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

There are no 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 terms.

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

	12/5/16	12/5/16	30/6/15	30/6/15
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	97%	90%	0%	88%
Overdue	3%	10%	100%	12%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	8,965	3,521	–	3,221
< 1 year overdue	224	97	986	201
1 – 2 years overdue	60	3	103	54
2 – 5 years overdue	18	–	95	–
> 5 years overdue	3	293	36	324
	<b>9,270</b>	<b>3,914</b>	<b>1,220</b>	<b>3,801</b>
<b>(iii) Movement in provision for impairment of receivables</b>			12/5/16	30/6/15
Balance at the beginning of the period			129	45
+ new provisions recognised during the period			–	84
<b>Balance at the end of the period</b>			<b>129</b>	<b>129</b>

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>1/7/15 to 12/5/16</b>									
Trade/other payables	3,993	5,977	–	–	–	–	–	9,970	<b>9,984</b>
Loans and advances	–	631	608	585	563	540	769	3,696	<b>3,250</b>
<b>Total financial liabilities</b>	<b>3,993</b>	<b>6,608</b>	<b>608</b>	<b>585</b>	<b>563</b>	<b>540</b>	<b>769</b>	<b>13,666</b>	<b>13,234</b>
<b>1/7/14 to 30/6/15</b>									
Trade/other payables	4,015	4,902	–	–	–	–	–	8,917	<b>8,917</b>
Loans and advances	–	1,306	1,256	1,206	1,155	1,103	1,706	7,732	<b>6,500</b>
<b>Total financial liabilities</b>	<b>4,015</b>	<b>6,208</b>	<b>1,256</b>	<b>1,206</b>	<b>1,155</b>	<b>1,103</b>	<b>1,706</b>	<b>16,649</b>	<b>15,417</b>

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	9,984	0.00%	8,917	0.00%
Loans and advances – variable interest rate	3,250	4.17%	6,500	4.50%
	<b>13,234</b>		<b>15,417</b>	

#### Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	393	2	–	13	(85)	–	323	–
Traffic facilities	231	10	–	8	–	–	249	–
Parking	413	–	–	15	–	–	428	–
Open space	272	839	–	25	–	–	1,135	–
Community facilities	10,113	1,362	–	373	(1,298)	–	10,549	–
Library	3,387	206	–	125	(27)	–	3,691	–
Urban space	405	3	–	10	(400)	–	18	–
Management	232	31	–	9	–	–	272	–
Open space, recreation and public domain facilities	10,403	6,809	–	499	(99)	–	17,612	–
Deficient car parking	263	122	–	11	–	–	395	–
Non residential development in CBD	100	138	–	6	–	–	244	–
Other	–	–	–	0	–	–	0	–
<b>S94 contributions – under a plan</b>	<b>26,212</b>	<b>9,522</b>	<b>–</b>	<b>1,094</b>	<b>(1,909)</b>	<b>–</b>	<b>34,919</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>–</b>	<b>210</b>	<b>–</b>	<b>0</b>	<b>(49)</b>	<b>–</b>	<b>161</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>26,212</b>	<b>9,732</b>	<b>–</b>	<b>1,094</b>	<b>(1,958)</b>	<b>–</b>	<b>35,080</b>	<b>–</b>
<b>Total contributions</b>	<b>26,212</b>	<b>9,732</b>	<b>–</b>	<b>1,094</b>	<b>(1,958)</b>	<b>–</b>	<b>35,080</b>	<b>–</b>

## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN - COUNCIL WIDE - repealed from 14 March 2013

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	393	2	–	13	(85)	–	323	–
Traffic facilities	231	10	–	8	–	–	249	–
Parking	413	–	–	15	–	–	428	–
Open space	272	839	–	25	–	–	1,135	–
Community facilities	8,620	400	–	302	(1,298)	–	8,023	–
Library	3,387	206	–	125	(27)	–	3,691	–
Urban space	405	3	–	10	(400)	–	18	–
Management	232	31	–	9	–	–	272	–
<b>Total</b>	<b>13,953</b>	<b>1,491</b>	<b>–</b>	<b>506</b>	<b>(1,810)</b>	<b>–</b>	<b>14,140</b>	<b>–</b>

CONTRIBUTION PLAN - COUNCIL WIDE - commenced 14 March 2013

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space, recreation and public domain facilities	10,403	6,809	–	499	(99)	–	17,612	–
Community facilities	1,494	962	–	71	–	–	2,527	–
Non residential development in CBD	100	138	–	6	–	–	244	–
Deficient car parking	107	122	–	5	–	–	233	–
Deficient car parking	156	–	–	6	–	–	162	–
Other	–	–	–	0	–	–	0	–
<b>Total</b>	<b>12,259</b>	<b>8,031</b>	<b>–</b>	<b>588</b>	<b>(99)</b>	<b>–</b>	<b>20,779</b>	<b>–</b>



## The former Hurstville City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94A CONTRIBUTIONS - As determined by Department of Planning**

Major project - Hurstville private hospital

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Infrastructure works	–	210	–	0	(49)	–	161	–
<b>Total</b>	–	<b>210</b>	–	<b>0</b>	<b>(49)</b>	–	<b>161</b>	–

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$525,368 as at 30 June 2016.

##### (ii) Statewide Limited

Council is a member of Statewide Mutual, 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 depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 12/5/2016 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### (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 a \$10,000 security deposit guarantee issued to Sydney Water in relation to a property within the former Hurstville LGA.

## The former Hurstville City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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

\$ '000

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

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

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

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

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

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

##### ASSETS NOT RECOGNISED:

##### (i) Land Under Roads

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

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

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

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

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

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

##### (iii) Investments

Council is an admitted creditor in the liquidation of the estate of Lehman Brothers Australia in relation to losses sustained on Collateralised Debt Obligations acquired from them. A claims resolution process as approved by the court is currently in progress.

Council is a member of a group action against Standard & Poor's in relation to losses sustained on Collateralised Debt Obligations purchased on the basis of their credit ratings. This matter is currently before the courts.

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

#### Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of period (from previous year's audited accounts)		406,775	393,050
a. Net operating result for the period		23,206	13,725
<b>Balance at end of the reporting period</b>		<b>429,981</b>	<b>406,775</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		323,771	298,832
<b>Total</b>		<b>323,771</b>	<b>298,832</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		298,832	291,590
– Revaluations for the period	9(a)	24,939	7,816
– Asset ownership amendment due to ongoing data validation		–	(574)
<b>– Balance at end of period</b>		<b>323,771</b>	<b>298,832</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>323,771</b>	<b>298,832</b>

#### (iii) Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

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

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

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

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

### Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (12 May 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 05/12/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 12 May 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

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

**Amalgamation of operations for the former Hurstville City Council to form Georges River Council**

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Hurstville City Council would be amalgamated with Kogarah City Council to form the new Georges River Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Hurstville City Council to Georges River Council on 13 May 2016.

The proclamation ensures that any reference in any document to the former Hurstville City Council is to be read as a reference to Georges River Council, and that anything done by the former Hurstville City Council before the amalgamation is taken to have been done by Georges River Council.

These proclamation clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position as at 12 May 2016 of the former Hurstville City Council and its financial performance for the period 1 July 2015 to 12 May 2016.

**Collateralised Debt Obligations Recovery.**

Council participated in the IMF class action regarding Lehman Brothers liquidation. An interim dividend net of costs of \$7.6m was received between June 2016 and July 2016.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 24. Discontinued operations

\$ '000

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

#### Note 25. Intangible assets

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

Intangible assets are as follows:

##### Opening values:

Gross book value (1/7)	1,892	1,671
Accumulated amortisation (1/7)	(937)	(606)
<b>Net book value – opening balance</b>	<b>955</b>	<b>1,065</b>

##### Movements for the period

– Purchases	139	191
– Transfer from work in progress	–	30
– Amortisation charges	(307)	(331)

##### Closing values:

Gross book value (12/5/16)	2,031	1,892
Accumulated amortisation (12/5/16)	(1,244)	(937)

#### **TOTAL INTANGIBLE ASSETS – NET BOOK VALUE** <sup>1</sup>

<b>787</b>	<b>955</b>
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<sup>1</sup> The net book value of intangible assets represent:

– Software	787	955
	<b>787</b>	<b>955</b>

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement

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Hurstville City Council measures the following assets and liabilities at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment Property
- Financial Assets

#### Fair Value Hierarchy

AASB 13 *Fair Value Measurement* requires 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	Unobservable inputs for the asset or liability



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

The table below shows the assets and liabilities that have been measured and recognised at fair values:

Year-end May 12, 2016	Note	Level 2 (\$)'000 Significant observable inputs	Level 3 (\$)'000 Significant unobservable inputs	Total (\$)'000
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– At fair value through profit or loss	6	3,143	22,740	25,883
– Properties held with the primary purpose of external lease	14		15,100	15,100
<b>Infrastructure, property, plant and equipment</b>	9a			
Plant and equipment			4,751	4,751
Office equipment			241	241
Furniture and fittings			587	587
<b>Land:</b>				
– Operational land			162,605	162,605
– Community land			42,050	42,050
– Council controlled land			10,076	10,076
– Land under roads (acquired post 30/6/08)			727	727
Land improvements			1,908	1,908
Buildings – (specialised and non-specialised)			66,604	66,604
Other structures			1,216	1,216
<b>Infrastructure:</b>				
– Roads			205,921	205,921
– Footpaths			30,780	30,780
– Bulk earthworks			66,077	66,077
– Stormwater drainage			55,691	55,691

## The former Hurstville City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

<b>Year-end May 12, 2016</b>	<b>Note</b>	<b>Level 2 (\$)'000 Significant observable inputs</b>	<b>Level 3 (\$)'000 Significant unobservable inputs</b>	<b>Total (\$)'000</b>
<b>Recurring fair value measurements</b>				
<b>Infrastructure (cont'd):</b>				
– Other open space/recreational assets			20,231	20,231
<b>Other assets:</b>				
– Library books			459	459
<b>Year-end June 30, 2015</b>	<b>Note</b>	<b>Level 2 (\$)'000 Significant observable inputs</b>	<b>Level 3 (\$)'000 Significant unobservable inputs</b>	<b>Total (\$)'000</b>
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– At fair value through profit or loss	6	3,199	9,080	12,279
– Properties held with the primary purpose of external lease	14		17,694	17,694
<b>Infrastructure, property, plant and equipment</b>	9a			
Plant and equipment			4,425	4,425
Office equipment			300	300
Furniture and fittings			609	609
<b>Land:</b>				
– Operational land			136,168	136,168
– Community land			40,288	40,288
– Council controlled land			9,096	9,096
– Land under roads (acquired post 30/6/08)			727	727
Land improvements			8,123	8,123
Buildings – (specialised and non-specialised)			63,276	63,276
Other structures			3,687	3,687

## The former Hurstville City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

Year-end June 30, 2015	Note	Level 2 (\$)'000 Significant observable inputs	Level 3 (\$)'000 Significant unobservable inputs	Total (\$)'000
<b>Recurring fair value measurements</b>				
<b>Infrastructure:</b>				
– Roads			205,466	205,466
– Footpaths			30,287	30,287
– Bulk earthworks			66,077	66,077
– Stormwater drainage			55,462	55,462
– Other open space/recreational assets			15,679	15,679
<b>Other assets:</b>				
– Library books			492	492

#### Reconciliation of movements

A reconciliation of movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	2016 (\$)'000	Prior year (\$)'000
Balance at 1 July	666,936	662,783
<b>Total gains or losses for the period</b>		
Recognised in profit or loss – realised – refer Note 5	5,604	1,089
Recognised in profit or loss – unrealised – refer Notes 3 and 4	(365)	436
Recognised in other comprehensive income – revaluation surplus	24,939	7,242
<b>Other movements</b>		
Purchases	32,743	17,718
Sales	(14,094)	(13,064)
Depreciation and impairment	(7,999)	(9,674)
Transfers into level 3	0	408
Transfers out of level 3	0	0
<b>Balance at 12 May 2016</b>	<b>707,764</b>	<b>666,936</b>

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\*There were no significant inter-relationships between unobservable inputs that materially affect fair values.

##### **Transfers between levels of the hierarchy**

There have been no assets or liabilities that are measured at fair value on a recurring basis that have been subject to a transfer between levels of the hierarchy.

##### **Highest and best use**

All assets valued at fair value in this note are being used for their highest and best use.

##### **Valuation Techniques**

###### **Level 2 measurements**

Assets classed as Level 2 in the fair value hierarchy are comparable to assets which are available in the market and there is a sufficient volume of recent sales transactions for which prices could be observed. Accordingly, valuations have been determined by taking a market approach and using the following:

- Quoted prices for similar assets in active markets
- Depreciated Replacement Cost concepts
- Purchase price
- Date of purchase / age
- Useful life including reference to the latest Australian Taxation Office ruling on the effective life of depreciating assets

###### **Financial assets**

Council holds two retail bonds that are considered level 2 assets. The valuation of these securities is sourced directly from a liquid and observable market (Australian Stock Exchange). Valuations can be sourced on a real-time basis (intra-day) and periodically (month-end, financial year end) as the securities trade in a listed market.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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##### Level 3 measurements

Assets classed as Level 3 within the fair value hierarchy were subject to unobservable inputs as detailed in the table above. Details of the valuation inputs and techniques used in fair value measurements are as follows:

- **Financial assets**

Council obtains valuations from independent investment advisors (CPG Research and Advisory Pty Ltd) on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuations. Council holds various FRNs, covered and fixed interest bonds that are considered level 3 assets. Council obtains valuations from the arranger/issuer/bank on a monthly basis and/or at the end of each accounting period to ensure the financial statements reflect the most up to date valuation. The valuations sourced from the arranger/issuer/bank are based on mid-market prices. That is, valuations are marked at the mid-point of the bid and ask prices, which are variable (unobservable inputs), in the secondary market.

- **Investment property**

Council undertakes valuations of its investment property portfolio on an annual basis and at the end of each reporting period the financial statements reflect the most up-to-date valuation.

The best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in an active market for similar assets or similar properties in less active markets
  - Discounted cash flow projections based on estimates of future cash inflows and outflows
- All investment properties are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre.

The fair value of investment properties is determined by independent, qualified valuers who have experience in the location of the property. The revaluation of council's investment property was performed in 2016 for the valuation as at 12 May 2016 by Liquid Property Consultants.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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- **Land** (Operational, Community, Council Controlled and Land Under Roads)

Council obtains independent valuations of its Operational Land portfolio on a cyclic basis. Suitably qualified internal staff ensure that the fair value reported does not differ materially from actual fair value.

In order to ascertain appropriate values to the Operational and Community Land we have had regard primarily to the Direct Comparison Approach. This approach involves investigation of vacant land sales evidence with comparable or similar characteristics. The various land components are analysed in order to derive a fair market value.

The Direct Comparison Approach is generally appropriate for which an established market exists. For community and other special purpose land where there are a limited number of market transactions, we have considered the market evidence of parcels of land of similar characteristics (but not restricted in use) with an appropriate discount applied for the property's current zoning.

The best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in active markets for similar assets or similar land parcels in less active markets
- All land assets are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre.
- Liquid Property Consultants performed the last independent valuation of Operational Land assets in 2016 for the period ending 12/5/2016. Valuations for Community and Council Controlled Land have been valued using Valuer General (VG) price per square metre for the period ending 12/5/2016. Land Under Roads (post 2008) was last valued using VG valuation as at 30/6/2015 following a boundary change with Canterbury City Council.

- **Buildings**

Specialised buildings are assets which, due to their particular design, application or use, are not normally traded within an established market and thus the basis for valuation of these buildings is the cost approach. Depreciated replacement cost is a method of valuation that is based on an estimate of the current cost of replacing the asset with a similar asset, less an allowance for the effect of depreciation (accrued physical wear and tear), and economic and functional obsolescence. Thus the following inputs and assumptions are used in determining fair value:

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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- Breakdown of building into relevant components comprising some or all of; External walls, windows and doors; Roof including framing and guttering; Electricals & lighting; Fire Equipment; Air Conditioning; Hot Water System; Lifts; Fitout, Fixtures & Fittings; Exterior Works & Landscaping; and Residual Structure.
- The straight line method of depreciation has been adopted which is based on the premise that the loss in value is in equal amounts over the full extent of the components/assets life.
- The effective lives of component/asset are the estimated life of that component/asset, assuming use in its present function, as part of a continuing business.
- Hurstville Council carry out regular maintenance of buildings and this is a significant factor in the determination of effective lives.

Specialised buildings are included in level 3 of the hierarchy with the key unobservable inputs being the effective lives and component condition / allowance for depreciation.

Chadwick Robson and Associates performed the last independent valuation of building assets as at 30 June 2013. There has been no change to the valuation process during the reporting period.

Non-specialised buildings are those for which a market exists and as such the best estimate of fair value is the current price in an active market for similar assets; the following inputs are used where necessary:

- Current prices in an active market for similar assets or similar properties in less active markets.
- Chadwick Robson's comprehensive reference on building costs and useful lives.

Non-specialised buildings are included in level 3 of the hierarchy with the key unobservable input to the valuation being the price per square metre.

Chadwick Robson and Associates performed the last independent valuation of building assets as at 30 June 2013. There has been no change to the valuation process during the reporting period.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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▪ **Other Structures, land improvements, other recreational-open space assets, roads, footpaths, bulk earthworks and stormwater drainage**

Council obtains independent valuations on a cyclic basis and utilises suitably qualified internal staff to undertake interim revaluations as appropriate to ensure that reported fair value does not differ materially from actual fair value. These classes of assets are specialised in nature and not readily brought or sold on the open market thus the valuation technique adopted is the cost approach utilising the depreciated replacement cost concept. The following inputs are used where necessary:

- Pattern of Consumption
- Components
- Useful life
- Asset Condition
- Dimensions and specifications
- Relationship between condition rating and value (determining remaining life, useful life, etc.)
- Unit Rates

The asset classes other structures, land improvements, other recreational-open space assets, roads, footpaths, bulk earthworks and stormwater drainage are included in level 3 of the hierarchy with the key unobservable inputs being condition rating, useful life and remaining life.

Other structures and land improvements (subsequently reclassified to include other recreational-open space assets) were last independently re-valued by Jeff Roorda and Associates as at 12 June 2016. Stormwater drainage was last re-valued as at 30 June 2013. Roads, Bridges and Footpaths (subsequently reclassified to roads, footpaths and bulk earthworks) was last independently re-valued by Assetic as at 30 June 2015.



## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

Asset / liability category	Carrying amount at fair value (\$'000)	Valuation Technique	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect fair value
Financial Assets	25,883	Market Approach	<ul style="list-style-type: none"> <li>Unit Price</li> </ul>	<ul style="list-style-type: none"> <li>\$0.80 to \$1.10</li> </ul>	Significant changes in the estimated unit price would result in significant changes to fair value measurement.
Investment property	15,100	Income or Market Approach	<ul style="list-style-type: none"> <li>Estimated rental value (per sq mtr)</li> <li>Rental Yield</li> <li>Open Market Value</li> </ul>	<ul style="list-style-type: none"> <li>\$200-\$535 per square metre</li> <li>8% - 9%</li> <li>Quoted values in an active market.</li> </ul>	Significant increases (decreases) in estimated rental value (per sq/m p.a.) and rent growth p.a. in isolation would result in significantly higher (lower) fair value measurement. Significant increases (decreases) in long term vacancy rate and discount rate in isolation would result in significantly lower (higher) fair value measurement.
<ul style="list-style-type: none"> <li>Plant and Equipment</li> <li>Office Equipment</li> <li>Furniture and Fittings</li> <li>Library Collection</li> </ul>	6,038	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> <li>Residual Value</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>3 to 20 years</li> <li>0% - 40%</li> </ul>	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

Asset / liability category	Carrying amount at fair value (\$'000)	Valuation Technique	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect fair value
Land <ul style="list-style-type: none"> <li>• Operational Land</li> <li>• Community Land</li> <li>• Council Controlled Land</li> <li>• Land Under Roads</li> </ul>	215,458	Market Approach  VG value (price per square metre)	<ul style="list-style-type: none"> <li>• Price per square metre</li> <li>• Discount rate to account for zoning and other constraints on development and the potential for alternative use.</li> </ul>	<ul style="list-style-type: none"> <li>• Discount Rate between 0-90%</li> </ul>	Significant increases (decreases) in the price per square metre will result in significantly higher (lower) fair value measurement. Significant increases (decreases) in the discount rate will result in significantly lower (higher) fair value measurement.
<ul style="list-style-type: none"> <li>• Other Structures, Land Improvements</li> <li>• Other Recreational-Open Space Assets</li> </ul>	23,355	Cost Approach	<ul style="list-style-type: none"> <li>• Condition</li> <li>• Useful and Remaining Life</li> <li>• Unit Rates</li> </ul>	<ul style="list-style-type: none"> <li>• Condition 1 – As New to Condition 5 – Unserviceable</li> <li>• 0 – 100 years</li> <li>• Various unit rates adopted</li> </ul>	Significant increases (decreases) in the rated condition, useful and remaining life of assets in isolation would result in significantly higher (lower) fair value measurement. Significant increases (decreases) in the adopted unit rates would result in significantly higher (lower) fair value measurement.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

Asset / liability category	Carrying amount at fair value (\$'000)	Valuation Technique	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect fair value
Buildings <ul style="list-style-type: none"> <li>• Specialised</li> <li>• Non-Specialised</li> </ul>	66,604	Cost Approach	<ul style="list-style-type: none"> <li>• Condition</li> <li>• Useful and Remaining Life</li> <li>• Component replacement rates</li> <li>• Allowance for economic and functional obsolescence</li> </ul>	<ul style="list-style-type: none"> <li>• Condition 1 – As New to Condition 5 – Unserviceable</li> <li>• 0 – 100 years</li> <li>• Various unit rates adopted</li> </ul>	Significant increases (decreases) in the condition rating, useful life, remaining life and component replacement cost will result in significantly higher (lower) fair value measurement. Significant increases (decreases) in the allowance made for functional and economic obsolescence will result in significantly higher (lower) fair value measurement.
Infrastructure <ul style="list-style-type: none"> <li>• Roads</li> <li>• Footpaths</li> <li>• Bulk Earthworks</li> </ul>	302,778	Cost Approach	<ul style="list-style-type: none"> <li>• Condition</li> <li>• Useful and Remaining Life</li> <li>• Residual Value</li> </ul>	<ul style="list-style-type: none"> <li>• Condition 1 – As New to Condition 5 – Unserviceable</li> <li>• 0-120 years</li> <li>• Various asset specific residual values</li> </ul>	Significant increases (decreases) in the rated condition, useful and remaining life of assets in isolation would result in significantly higher (lower) fair value measurement. Significant increases (decreases) in the residual value would result in significantly higher (lower) fair value measurement.

## The former Hurstville City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

Asset / liability category	Carrying amount at fair value (\$'000)	Valuation Technique	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect fair value
<ul style="list-style-type: none"> <li>Stormwater drainage</li> </ul>	55,691	Cost Approach	<ul style="list-style-type: none"> <li>Condition</li> <li>Useful and Remaining Life</li> <li>Unit Rates</li> <li>Residual Value</li> </ul>	<ul style="list-style-type: none"> <li>Condition 1 – As New to Condition 5 – Unserviceable</li> <li>0 – 150 years</li> <li>Various unit rates adopted</li> <li>Various asset specific residual values</li> </ul>	<p>Significant increases (decreases) in the rated condition, useful and remaining life of assets in isolation would result in significantly higher (lower) fair value measurement.</p> <p>Significant increases (decreases) in the adopted unit rates and residual values would result in significantly higher (lower) fair value measurement.</p>

#### Highest and best use

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

## The former Hurstville City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 28. Council information and contact details

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**Principal place of business:**

Georges River Council  
Civic Centre MacMahon Street  
HURSTVILLE NSW 2220

**Contact details****Mailing address:**

PO Box 205  
HURSTVILLE NSW 2220

**Opening hours:**

Customer Service: 8.30am - 4.30pm | Mon to Fri  
Phone: 8.30am - 5.00pm | Mon to Fri

**Telephone:** 02 9330 6400

**Facsimile:** 02 9330 6223

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

**Email:** [mail@georgesriver.nsw.gov.au](mailto:mail@georgesriver.nsw.gov.au)

**Officers****INTERIM GENERAL MANAGER**

Gail Connolly

**Members****ADMINISTRATOR**

John Rayner

**RESPONSIBLE ACCOUNTING OFFICER**

Tino Caltabiano

**Other information**

**ABN:** 24 782 671 133

Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000  
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**The former HURSTVILLE CITY COUNCIL  
Independent Audit Report to the Council  
General Purpose Financial Statements for the Period ended 12 May 2016**

**Report on the Financial Report**

We have audited the general purpose financial statements of The former Hurstville City Council, which comprises the Statement of Financial Position as at 12 May 2016, Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the period then ended, a summary of significant accounting policies and other explanatory notes.

*Georges River Council's Responsibilities for the Financial Statements*

Georges River Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the statutory requirements under the Local Government Act, 1993, and for such internal control that Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities*

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to estimated expenditure in Note 17, additional Council disclosure notes, nor the attached Special Schedules. Accordingly, no opinion is expressed on these matters.

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

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

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

### *Auditor's Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The former Hurstville City Council as at 12 May 2016, and of its financial performance and its cash flows for the period then ended in accordance with Australian Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

#### *Council's Responsibilities for compliance with other legal and regulatory requirements*

Council is responsible for ensuring compliance with the accounting and reporting requirements of Division 2 of Part 3, Chapter 12 of the Local Government Act, 1993. This responsibility includes maintaining such accounting records as are necessary to correctly record and explain its financial transactions and its financial position, and to facilitate convenient and proper auditing of its financial statements.

#### *Auditor's Responsibilities under Section 417(2) of the Local Government Act, 1993*

Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

#### *Auditors' Opinion on other legal and regulatory requirements*

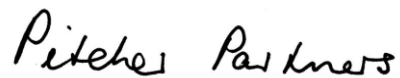
In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
  - i) have been prepared in accordance with the requirements of this Division and Regulation;
  - ii) are consistent with the Council's accounting records;
  - iii) present fairly the Council's financial position and the results of its operations;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.



CARL MILLINGTON

Partner



PITCHER PARTNERS

Sydney, 14 December 2016

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**THE FORMER HURSTVILLE CITY COUNCIL  
 INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT  
 (Local Government Act, 1993 – Sections 417(1) and 417(3))  
 PERIOD ENDED 12 MAY 2016**

The former Hurstville City Council has prepared a general purpose financial report for the period ended 12 May 2016 on which we issued a separate audit report to the Council dated 14 December 2016. This report has been prepared in accordance with the requirements of the Office of Local Government and the provisions of Sections 417 (1) and 417(3) of the Local Government Act, 1993.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the New South Wales Office of Local Government, or for any purpose other than that for which it was prepared.

**Audit Conclusion**

Our audit of the financial report for the period ended 12 May 2016 resulted in an unqualified independent audit report for Council's General Purpose Financial Statements.

**Additional Audit Considerations and Comment**

**Income Statement**

*Summarised Income Statement*

	<b>Period to 12/05/16 Actual \$'000</b>	<b>Year to 30/6/15 Actual \$'000</b>
Operating result	23,206	13,725
Operating result before capital revenue	12,500	1,014
Rates & annual charges	45,648	45,817
Operating grants & contributions	5,983	6,589
Capital grants & contributions	10,706	12,711
Depreciation & amortisation	8,306	9,887



### *Amalgamation of Hurstville City Council with Kogarah City Council*

The former Hurstville City Council was amalgamated on 12 May 2016 with the former Kogarah City Council to form the new Georges River Council. Consequentially the general purpose financial report is in respect of the period 1 July 2015 to 12 May 2016. However comparative data included in the report represents a full year, therefore care must be taken if analysing the former council's performance against the prior year.

As directed by the NSW Office of Local Government, original budget figures are not required to be disclosed in this financial report as it is not appropriate to compare the actual result for the period to the original budget for the year.

Additionally, and in accordance with Australian Accounting Standards and guidance issued by the NSW Office of Local Government, the former Hurstville City Council has recognised 100% of rates revenue for the 2015/16 rating year and 100% of the Federal Assistance Grants (FAGs) revenue for the year rather than apportion the revenue based on the proclamation date of 12 May 2016. As operating expenses were only required to be recognised for the period to 12 May 2016, this had a positive impact on the operating result for the period as disclosed in the general purpose financial report.

The impact of the amalgamation and effect on recognition of revenue should be taken into consideration when reading the following comments:

#### *Operating Result.*

Council's operating surplus for the period was \$23.206M which compared with the prior year surplus of \$13.725M. The increase is largely for the reason as noted above.

#### *Operating Result before Capital.*

The operating result before Capital grants and contributions was a surplus of \$12.500M compared with \$1.014M in the prior year. Note that the calculation of the operating surplus before capital only takes into consideration the revenue received for capital purposes and excludes related expenditure.

#### *Rates and Annual Charges.*

Revenue from rates and annual charges decreased to \$45.648M from \$45.817M in 2015. The minor reduction was not unexpected as the increase in rates revenue was offset by the prorating of annual charges to represent the financial period 1 July 2015 to 12 May 2016 only.

#### *Grants and Contributions.*

Operating grants and contributions for the year totalled \$5.983M and represented 7.1% (2015: 7.8%) of total income from continuing operations.

Capital grants and contributions amounted to \$10.706M and represented 12.7% (2015: 15.1%) of total income from continuing operations.

#### *Depreciation.*

Included in the operating result was \$8.306M for the depreciation and amortisation of infrastructure, property, plant and equipment; a reduction from \$9.887M in 2015. The reduction is largely accounted for by the shorter financial period from 1 July 2015 to 12 May 2016.

### Statement of Financial Position

Council's equity as at 30 June 2016 amounted to \$753.752M comprised of:

- retained earnings \$429.981M (2015: \$406.775M), the increase representing the operating result for the period to 12 May 2016; and
- reserves \$323.771M (2015: \$298.832M) the increase primarily representing the result of the revaluation of Council's property assets during the period.

### Movements in Cash and Cash Equivalents

#### Summarised Statement of Cash Flows

Activities	Period to 12/05/16 Actual \$'000	Year to 30/6/15 Actual \$'000
Net cash flows from operations	18,565	21,882
Net cash flows from investing	(14,093)	(21,988)
Net cash flows from financing	(3,250)	(1,000)
<b>Net movement in cash</b>	<b>1,222</b>	<b>(1,105)</b>

Council's cash and cash equivalent balances increased to a total of \$4.157M during the year, with \$18.565M being provided from operations, \$14.093M utilised in net investing activities for the acquisition and sale of non-current assets and \$3.250M used to repay borrowings. Included in investing activities was a net increase in acquisition of investment securities of \$10.692M, effectively converting cash into longer term financial investments.

### Total Investments and Cash Balances

Council's cash and investments balances totalled \$74.041M compared to \$62.214M (2015).

	2016 \$'000	2015 \$'000
Externally restricted cash	41,723	33,695
Internally restricted cash	27,711	19,325
Unrestricted cash	4,607	9,194
<i>Total Cash, Cash Equivalents and Investments</i>	<i>74,041</i>	<i>62,214</i>

Externally restricted cash balances increased by \$8.028M largely as a result of developer contributions received in 2015/2016.

Internally restricted balances increased overall by \$8.386M, mainly as a result of the 'Property asset' category resulting from the sale of a Council-owned property in 2015/2016.

## Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2016 year results with prior years.

*Operating performance ratio.* At 10.64% this ratio is above benchmarks set by NSW TCorp and expectations of the Office of Local Government and represents an improvement over the 2015 ratio of (0.77%). Note that this benchmark has been affected by the amalgamation and required revenue recognition policies.

*Own source operating revenue ratio.* The ratio of 78.87% is well above industry benchmarks and indicates that Council's reliance on external funding sources is minimal.

*Unrestricted Current Ratio.* The ratio as at 12 May 2016 was 3.37:1 (2015: 3.06:1) which indicates that Council had approximately \$3.37 to cover every \$1 of current liabilities. This remains above the industry benchmark of 1.5:1.

*Debt Service Cover Ratio.* The debt service ratio of 4.57:1 compared to 7.40:1 in 2015 reflecting the repayment of the loan related to the Hustville Aquatic Centre in 2015/2016, and is within the industry benchmark.

*Rates and Annual Charges Outstanding Percentage.* The amount of rates uncollected at period end expressed as a percentage of the total rates and annual charges collectible was 19.89% (2015: 2.84%). This is higher than the industry benchmark of 5% however this ratio has been affected by the amalgamation with the final rate instalment date (31 May 2016) being after the period end date of 12 May 2016.

*Cash expense cover ratio.* This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cashflow. Council's ratio of 9.40 exceeds the industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short term operations.

## Legislative Compliance

As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local Government Act, 1993, and Regulations.

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 24), NSW Office of Local Government interpretative directives and other legislatively prescribed standards.

### Conduct of the audit

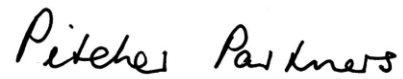
During the conduct of our audit, there were minimal issues requiring additional explanation and investigation. Some matters relating to revenue recognition which arose as a result of the amalgamation were encountered, but we are able to report that all issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

We would like to commend the courteous and professional manner in which Council's staff has acted throughout the conduct of our audit, and their willingness to consider issues that we raised and assist us with our audit.



CARL MILLINGTON

Partner



PITCHER PARTNERS

Sydney, 14 December 2016

# The former Hurstville City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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*An evolving city which promotes a sustainable  
and safe community that connects people and  
places and celebrates diversity.*



## The former Hurstville City Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Council has resolved that it does not operate any business activities as set out in the National Competition Policy and Division of Local Government Guidelines.

As a result of this resolution, Council has no reportable Special Purpose Financial Statements.

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# The former Hurstville City Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

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*An evolving city which promotes a sustainable  
and safe community that connects people and  
places and celebrates diversity.*



# The former Hurstville City Council

## Special Schedules

for the period 1 July 2015 to 12 May 2016

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<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
<b>Notes to Special Schedules 3 and 5</b>		n/a
<b>Special Schedule 7</b>	Report on Infrastructure Assets	5

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

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#### Background

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



## The former Hurstville City Council

## Special Schedule 1 – Net Cost of Services

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>2,290</b>	–	–	<b>(2,290)</b>
<b>Administration</b>	<b>13,667</b>	<b>1,911</b>	–	<b>(11,756)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,127	78	–	<b>(1,049)</b>
Beach control	–	–	–	–
Enforcement of local government regulations	281	120	–	<b>(161)</b>
Animal control	151	12	–	<b>(139)</b>
Other	–	–	–	–
<b>Total public order and safety</b>	<b>1,559</b>	<b>210</b>	–	<b>(1,349)</b>
<b>Health</b>	<b>436</b>	<b>176</b>	–	<b>(260)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	360	250	–	<b>(110)</b>
Solid waste management	10,006	11,408	–	<b>1,402</b>
Street cleaning	1,361	4	–	<b>(1,357)</b>
Drainage	927	725	38	<b>(164)</b>
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>12,654</b>	<b>12,387</b>	<b>38</b>	<b>(229)</b>
<b>Community services and education</b>				
Administration and education	661	139	–	<b>(522)</b>
Aged persons and disabled	33	62	–	<b>29</b>
Children's services	2,641	2,670	–	<b>29</b>
<b>Total community services and education</b>	<b>3,335</b>	<b>2,871</b>	–	<b>(464)</b>
<b>Housing and community amenities</b>				
Public conveniences	170	–	–	<b>(170)</b>
Street lighting	1,072	162	–	<b>(910)</b>
Town planning	3,378	2,234	9,701	<b>8,557</b>
<b>Total housing and community amenities</b>	<b>4,620</b>	<b>2,396</b>	<b>9,701</b>	<b>7,477</b>

## The former Hurstville City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the period 1 July 2015 to 12 May 2016

\$'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	3,756	270	56	(3,430)
Community centres and halls	1,185	513	–	(672)
Other cultural services	254	129	–	(125)
Swimming pools	1,293	1,609	–	316
Parks and gardens (lakes)	4,455	136	93	(4,226)
Other sport and recreation	550	613	–	63
<b>Total recreation and culture</b>	<b>11,493</b>	<b>3,270</b>	<b>149</b>	<b>(8,074)</b>
<b>Mining, manufacturing and construction</b>				
Building control	1,091	1,234	–	143
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>1,091</b>	<b>1,234</b>	<b>–</b>	<b>143</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	3,447	1,254	–	(2,193)
Urban roads – regional	153	226	591	664
Parking areas	1,162	1,482	–	320
Footpaths	433	212	153	(68)
Other transport and communication	2,404	343	74	(1,987)
<b>Total transport and communication</b>	<b>7,599</b>	<b>3,517</b>	<b>818</b>	<b>(3,264)</b>
<b>Economic affairs</b>				
Other economic affairs	2,517	7,612	–	5,095
<b>Total economic affairs</b>	<b>2,517</b>	<b>7,612</b>	<b>–</b>	<b>5,095</b>
<b>Totals – functions</b>	<b>61,261</b>	<b>35,584</b>	<b>10,706</b>	<b>(14,971)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>38,177</b>		<b>38,177</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>61,261</b>	<b>73,761</b>	<b>10,706</b>	<b>23,206</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As per the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

## The former Hurstville City Council

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

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,000	5,500	<b>6,500</b>	–	3,250	–	–	198	500	2,750	<b>3,250</b>
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>1,000</b>	<b>5,500</b>	<b>6,500</b>	–	<b>3,250</b>	–	–	<b>198</b>	<b>500</b>	<b>2,750</b>	<b>3,250</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	–	–	–	–	–	–	–	–	–	–	–
<b>Total debt</b>	<b>1,000</b>	<b>5,500</b>	<b>6,500</b>	–	<b>3,250</b>	–	–	<b>198</b>	<b>500</b>	<b>2,750</b>	<b>3,250</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which is reported in the GPFS).

## The former Hurstville City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	835	3,344	2,534	2,559	66,605	129,060	5%	25%	66%	4%	0%
	<b>Sub-total</b>	<b>835</b>	<b>3,344</b>	<b>2,534</b>	<b>2,559</b>	<b>66,604</b>	<b>129,060</b>	<b>5.0%</b>	<b>25.0%</b>	<b>66.0%</b>	<b>4.0%</b>	<b>0.0%</b>
Other	Other structures	–	–	3	–	1,216	1,306	84%	4%	12%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>1,216</b>	<b>1,306</b>	<b>84.0%</b>	<b>4.0%</b>	<b>12.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Roads	Sealed roads	384	1,536	3,149	3,661	160,946	219,563	7%	42%	37%	15%	0%
	Other road assets	1,518	5,774	1,042	896	141,618	187,509	3%	12%	79%	6%	0%
	<b>Sub-total</b>	<b>1,902</b>	<b>7,310</b>	<b>4,191</b>	<b>4,557</b>	<b>302,778</b>	<b>407,072</b>	<b>4.9%</b>	<b>27.9%</b>	<b>56.3%</b>	<b>10.6%</b>	<b>0.2%</b>
Stormwater drainage	Stormwater drainage	899	3,594	1,103	397	55,374	99,390	29%	22%	49%	0%	0%
	<b>Sub-total</b>	<b>899</b>	<b>3,594</b>	<b>1,103</b>	<b>397</b>	<b>55,691</b>	<b>99,390</b>	<b>29.0%</b>	<b>22.0%</b>	<b>49.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Parks & Open Space	124	474	5,027	5,451	20,231	30,087	6%	58%	35%	1%	0%
	<b>Sub-total</b>	<b>124</b>	<b>474</b>	<b>5,027</b>	<b>5,451</b>	<b>20,231</b>	<b>30,087</b>	<b>6.0%</b>	<b>58.0%</b>	<b>35.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>3,760</b>	<b>14,722</b>	<b>12,858</b>	<b>12,964</b>	<b>446,520</b>	<b>666,915</b>	<b>8.7%</b>	<b>27.8%</b>	<b>56.1%</b>	<b>7.3%</b>	<b>0.1%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

- |   |  |
|---|--|
| 1 | <b>Excellent</b> No work required (normal maintenance) |
| 2 | <b>Good</b> Only minor maintenance work required       |
| 3 | <b>Average</b> Maintenance work required               |

- |   |  |
|---|--|
| 4 | <b>Poor</b> Renewal required                       |
| 5 | <b>Very poor</b> Urgent renewal/upgrading required |

## The former Hurstville City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>8,457</u>	<b>130.79%</b>	74.55%	48.68%
Depreciation, amortisation and impairment	<u>6,466</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>3,760</u>	<b>0.84%</b>	1.03%	0.89%
Carrying value of infrastructure assets	<u>446,520</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>12,964</u>	<b>1.01</b>	1.02	1.06
Required asset maintenance	<u>12,858</u>			

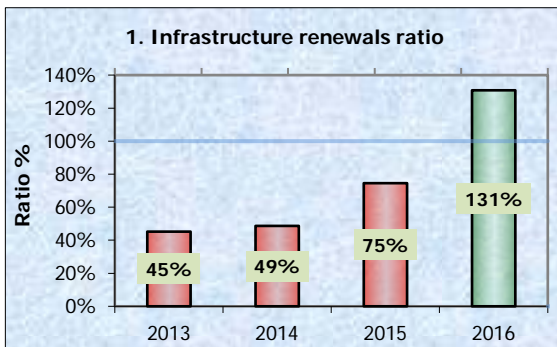
## Notes

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

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

## The former Hurstville City Council

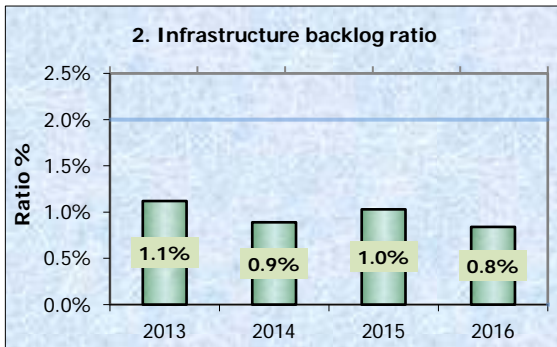
### Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



Benchmark: —— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Commentary on 12/5/16 result	
<b>12/5/16 ratio</b>	<b>130.79%</b>
<p>Increased budget focus on renewal of existing infrastructure.</p>	

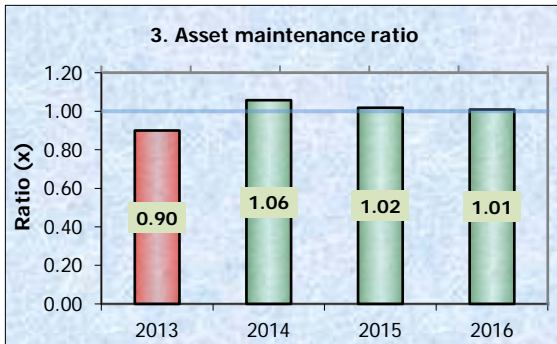
■ Ratio achieves benchmark  
■ Ratio is outside benchmark



Benchmark: —— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Commentary on 12/5/16 result	
<b>12/5/16 ratio</b>	<b>0.84%</b>
<p>The Infrastructure backlog has remained well within the benchmark and condition levels of assets assessed including community consultation.</p>	

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



Benchmark: —— Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Commentary on 12/5/16 result	
<b>12/5/16 ratio</b>	<b>1.01 x</b>
<p>The increased focus on infrastructure renewal should result in a reduction of annual maintenance in the coming years.</p>	

■ Ratio achieves benchmark  
■ Ratio is outside benchmark