



*Annual  
Financial Statements  
2013/14*

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**W**  
WARRINGAH  
COUNCIL

## FINANCIAL COMMENTARY 2013/14

### INTRODUCTION

This commentary provides the highlights of Council's 2013/14 Financial Statements. The Financial Statements are prepared by Council to provide information in relation to Council's financial performance and position. The Statements are prepared in accordance with Australian Accounting Standards, the NSW Local Government Act 1993 and the NSW Local Government Code of Accounting Practice and Financial Reporting (Update No 22). The Financial Statements are made up of the following:

- General Purpose Financial Statements – pages 12 to 81
- Special Purpose Financial Statements – pages 82 to 91
- Special Schedules – pages 92 to 102

The General Purpose and Special Purpose Financial Statements are independently audited by Hill Rogers Spencer Steer Pty Ltd, reported to Council, placed on public exhibition and lodged with the Office of Local Government.

### 2013/14 SUMMARY RESULTS

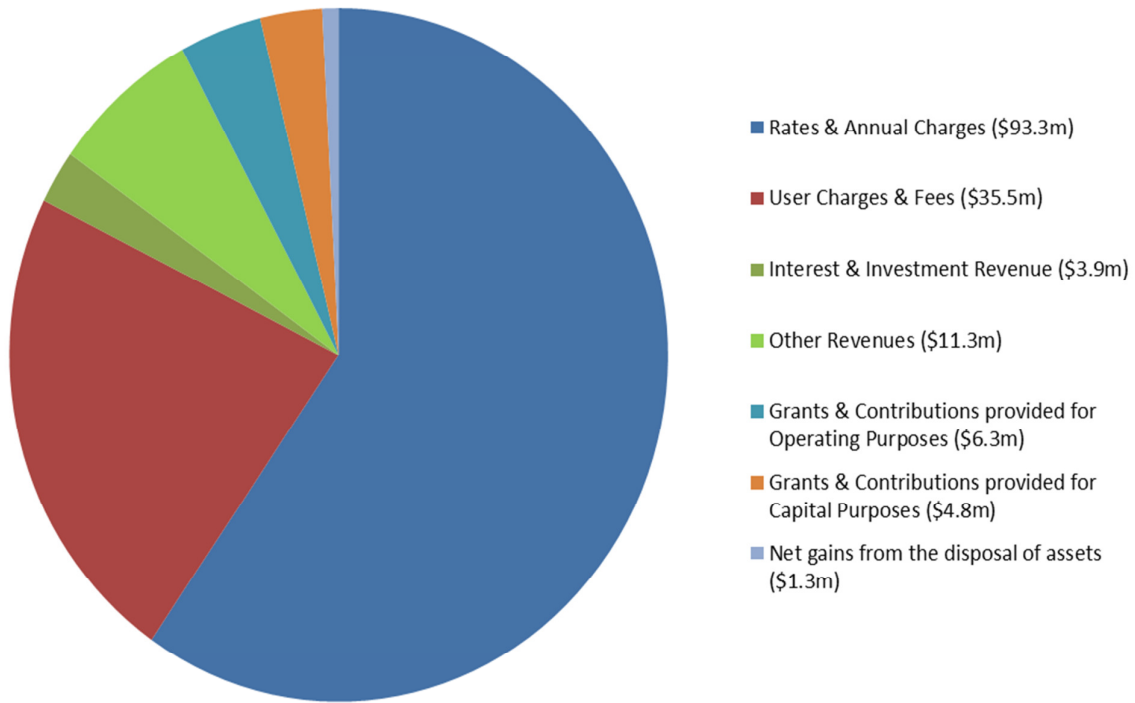
• Total Income from Continuing Operations	\$156.356m
• Total Expenses from Continuing Operations	\$145.016m
• Net Operating Surplus for the year	\$11.340m
• Net Operating Surplus for the year before Capital Grants and Contributions	\$6.590m

• New Capital Works	\$13.596m
• Capital Renewal Works	\$16.518m
• Total Capital Expenditure	\$30.114m

• Total Assets	\$2.551b
• Total Liabilities	\$49.140m
• Net Assets	\$2.502b

• Unrestricted Current Ratio	3.57:1
• Debt Service Ratio	17.76
• Building & Infrastructure Renewals Ratio	137.1%

**INCOME FROM CONTINUING OPERATIONS**



Income Item	2014 Actual (\$'000)	2014 Budget (\$'000)	\$ Variance
Rates & Annual Charges	93,225	93,233	(8)
User Charges & Fees	35,525	36,111	(586)
Interest & Investment Revenue	3,887	3,403	484
Other Revenues	11,394	9,953	1,441
Grants & Contributions provided for Operating Purposes	6,320	7,377	(1,057)
Grants & Contributions provided for Capital Purposes	4,750	4,034	716
Net gains from the disposal of assets	1,255	8,394	(7,139)
<b>Total Income from Continuing Operations</b>	<b>156,356</b>	<b>162,505</b>	<b>(6,149)</b>

### Rates & Annual Charges

Rates Income increased by a total of 3.9%, taking account of the approved rate peg increase of 3.4%, as well as, an increase in the number of residential properties from 52,201 to 52,487 and an increase in the number of business properties from 3,952 to 3,979.

Annual Charges which is predominantly represented by domestic waste charges increased by 13.1%. This reflects the provision of funds towards a new bin system roll-out associated with the closure of the Belrose landfill site and the implementation of the Alternate Waste Technology (AWT) facility at the Kimbriki Waste Landfill. This has resulted in an increase in the Domestic Waste Management Reserve from \$2,564m to \$5.191m.

### User Charges & Fees

User Charges & Fees have increased by 10% which is slightly lower than expected. The principal increases were Kimbriki Environmental Enterprises as a result of the weighting of all commercial vehicles, the introduction fees for the mandatory pool barrier inspections and within Children's Services an increase in fees to cover higher costs associated with training and compliance and record utilisation in Vacation Care. User Charges & Fees were slightly lower than expected principally due to the closure of Glen Street Theatre to undertake the first stage of works associated with the revitalisation of the site as a part of the wider development of the Glen Street Cultural Hub.

### Interest & Investment Revenues

Council's Cash and Investments at the end of the financial year totalled \$83.353m (2013 \$84,109m) compared to the budgeted position of \$91.605m due to lower than budgeted capital expenditure and the deferral of the settlement of the sale of a property at Sturdee and Pacific Parades, Dee Why. The higher Interest & Investment Revenues reflects these changes and the strong performance of Council's investment portfolio which exceeded the bank bill benchmark return by over 1.36%.

### Other Revenues

Other Revenues have increased by 9.4% which is principally due to higher Recycling Income for Kimbriki Environmental Enterprises and higher income from both parking and other fines. These changes along with the receipt of the Waste Less Recycle More Rebate from the Department of Environment and Conservation largely account for the increase from the original budget position.

### Grants & Contributions provided for Operating Purposes

Grants & Contributions provided for Operating Purposes decreased by 13.2% on the previous financial year. This was largely due to the lower than anticipated Financial Assistance Grant (FAG) as a result of a government budget decision to no longer bring forward the first two quarter payments of the FAG and this also principally accounts for the variance from budget.

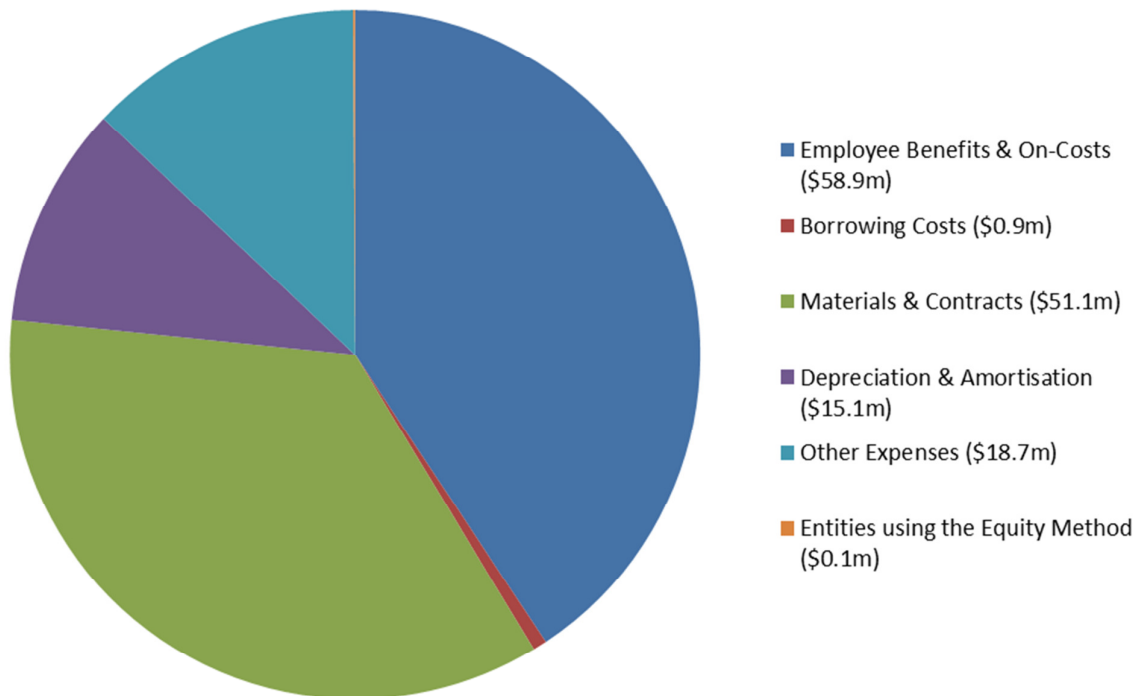
### Grants & Contributions provided for Capital Purposes

Grants & Contributions provided for Capital Purposes increased by 19.6% on the previous financial year. This was largely due to increased grants and contributions for road and traffic works and increased contributions for building improvements and it also principally accounts for the variance from budget.

### Net gains from the disposal of assets

Net gains from the disposal of assets are significantly lower than the previous financial year which included the sale and the Northern Beaches Hospital site at Frenchs Forest.

## EXPENSES FROM CONTINUING OPERATIONS



Expense Item	2014 Actual (\$'000)	2014 Budget (\$'000)	\$ Variance
Employee Benefits & On-Costs	58,989	59,375	386
Borrowing Costs	945	1,003	58
Materials & Contracts	51,160	51,991	831
Depreciation & Amortisation	15,079	15,167	88
Other Expenses	18,706	17,956	(750)
Entities using the Equity Method	137	302	165
<b>Total Income from Continuing Operations</b>	<b>145,016</b>	<b>145,794</b>	<b>778</b>

### Employee Benefits & On-Costs

Employee Benefits & On-Costs have increased 5.7% on the previous financial year. Excluding Kimbriki Environmental Enterprises these costs increased by 4.5%. The increase in respect of Kimbriki Environmental Enterprises relates the gearing up for major projects such as the implementation of the Alternate Waste Technology facility and the management site environmental responsibilities. The other increases relate to an increase in the superannuation guarantee levy, an increase in fringe benefits tax as a result of budget changes to motor vehicles and higher termination expenses related to internal service reviews. Overall the increase was less than that budgeted as a result of minor productivity savings.

### Borrowing Costs

Borrowing Costs have increased by 4.7% on the previous financial year. This increase relates to the amortisation of discount of remediation liabilities for the Kimbriki waste landfill which is in line with budget. The decrease from the budgeted position relates to lower interest costs associated with the lease of information technology equipment.

### Materials & Contracts

Materials & Contracts have increased by 6.5% on the previous financial year. The principal components of this increase have been higher contracted tree management expenses and waste charges. The actual expenses incurred are lower than budget principally as a result of the delay in the anticipated completion of the Northern Beaches Hospital Structure Plan and associated Warringah Local Planning Strategy which are reliant on clarification from the NSW Government and the changes to how road restorations are undertaken by Sydney Water.

### Depreciation & Amortisation

Depreciation and Amortisation has risen by \$0.952m which is largely in line with budget. The higher depreciation and amortisation reflects the higher capital expenditure program over recent years.

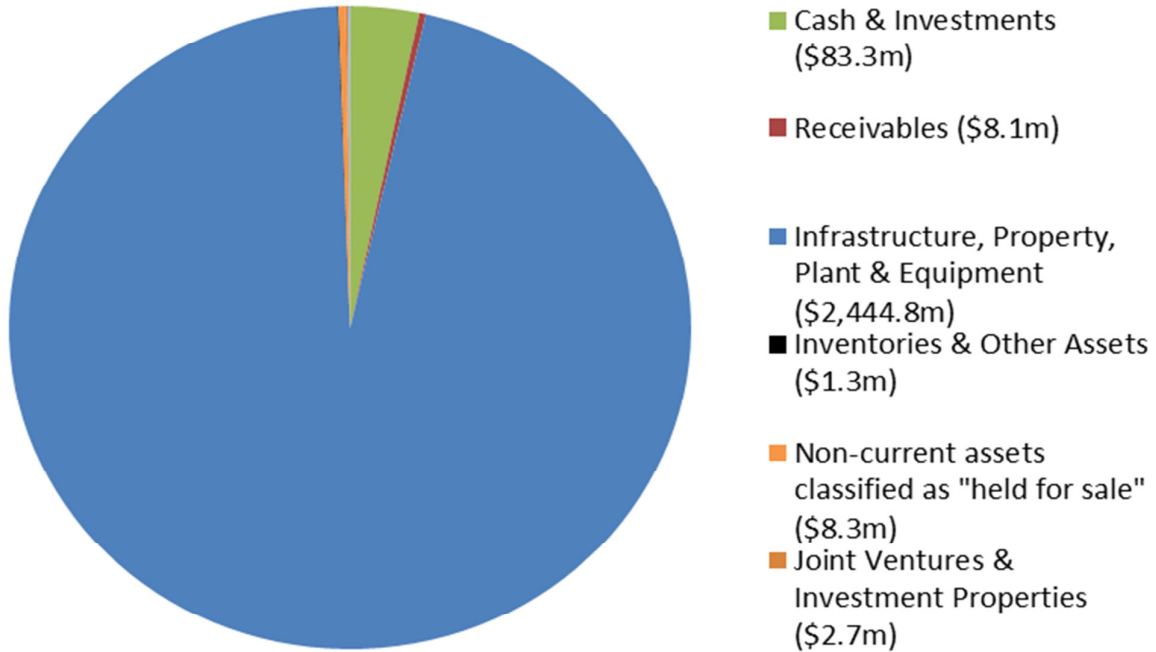
### Other Expenses

Other Expenses have increased by 6% on the previous financial year. These increases are related to increases in land tax and waste levy charges in Kimbriki Environmental Enterprises. Excluding these increases there was a decrease of 11.1% principally associated with insurance, data services, telephone and communication costs.

### Entities using the Equity Method

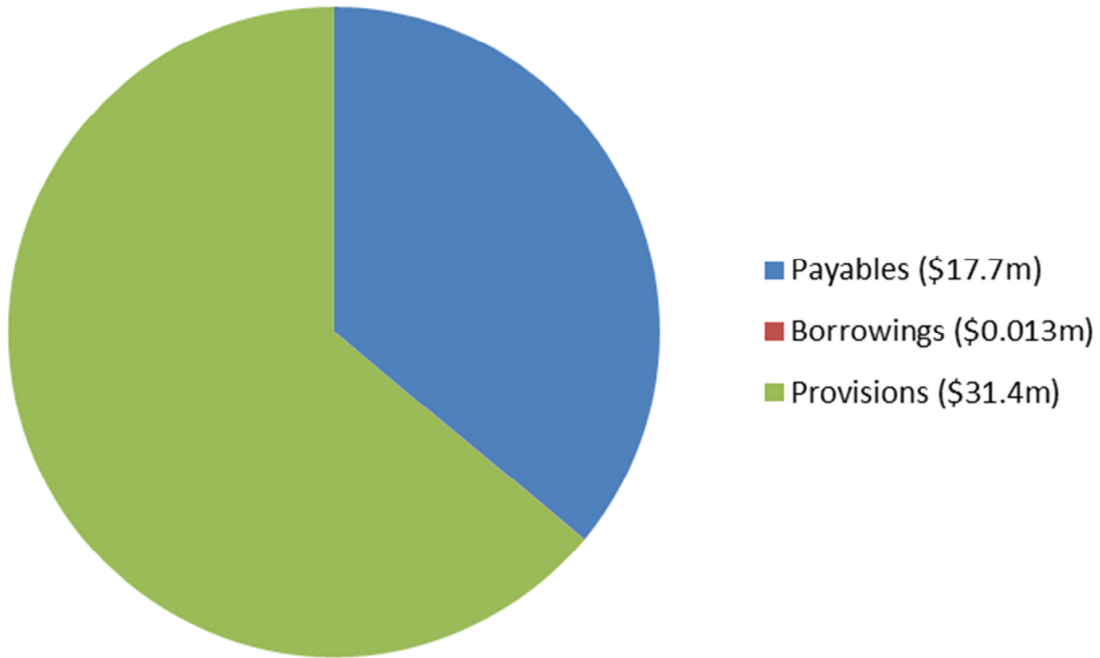
Council's share of the net position of the losses associated with the operation of the Warringah/Pittwater Rural Fire Service Joint Venture rose by \$24,000 on the previous financial year. This was lower than the expected budget position due to the timing of expenses.

**ASSETS**



Asset Items	2014 Actual (\$'000)	2013 Actual (\$'000)
<b>Current Assets</b>		
Cash & Cash Equivalents	7,265	4,311
Investments	72,805	76,511
Receivables	7,548	6,922
Inventories	78	93
Other	1,253	1,180
Non-current assets classified as "held for sale"	8,325	9,309
<b>Total Current Assets</b>	<b>97,274</b>	<b>98,326</b>
<b>Non Current Assets</b>		
Investments	3,283	3,287
Receivables	519	515
Infrastructure, Property, Plant & Equipment	2,444,815	2,429,738
Investments accounted for using the equity method	977	1,113
Investment Property	1,800	1,900
Intangible Assets	2,595	1,991
<b>Total Non Current Assets</b>	<b>2,453,989</b>	<b>2,438,544</b>
<b>TOTAL ASSETS</b>	<b>2,551,263</b>	<b>2,536,870</b>

## LIABILITIES



Liability Items	2014 Actual (\$'000)	2013 Actual (\$'000)
<b>Current Liabilities</b>		
Payables	17,704	13,719
Borrowings	9	261
Provisions	12,749	13,071
<b>Total Current Liabilities</b>	<b>30,462</b>	<b>27,051</b>
<b>Non Current Liabilities</b>		
Payables	-	-
Borrowings	4	13
Provisions	18,674	17,443
<b>Total Non Current Liabilities</b>	<b>18,678</b>	<b>17,456</b>
<b>TOTAL LIABILITIES</b>	<b>49,140</b>	<b>44,507</b>



## KEY PERFORMANCE INDICATORS

	2014	2013	2012
Operating Performance	3.59%	4.46%	3.07%
Own Source Operating Revenue	92.85%	92.32%	91.00%
Unrestricted Current Ratio	3.57	4.07	3.35
Debt Service Cover Ratio	17.76	15.36	19.23
Rates & Annual Charges Outstanding Percentage	2.98%	3.44%	3.18%
Cash Expenses Cover Ratio	7.55	7.94	7.06
Buildings & Infrastructure Renewals Ratio	137.10%	183.48%	203.23%
Infrastructure Backlog	2.10%	2.05%	2.37%
Asset Maintenance Ratio	102.32%	109.35%	97.34%
Capital Expenditure Ratio	199.71%	183.48%	203.23%

### Operating Performance

This ratio measures Council's achievement of containing operating expenditure within operating revenue. It is important to distinguish that this ratio is focussing on operating performance and hence capital grants and contributions, fair value adjustments and reversal of revaluation decrements are excluded. The benchmark is greater than 0%.

Council's Operating Performance Indicator continues to be above the benchmark of 0% highlighting Council maintaining a surplus in accordance with its Financial Planning and Sustainability Policy.

### Own Source Operating Revenue

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue. The benchmark is greater than 60%.

Council's Own Source Operating Revenue Indicator continues to be well above the benchmark of 60% highlighting Council financial flexibility.

### Unrestricted Current Ratio

The Unrestricted Current Ratio is specific to local government and is designed to represent a Council's ability to meet short term obligations as they fall due. Restrictions placed on various funding sources (e.g. Section 94 developer contributions, RMS contributions) complicate the traditional current ratio used to assess liquidity of businesses as cash allocated to specific projects is restricted and cannot be used to meet a Council's other operating and borrowing costs. The benchmark is greater than 1.5.

Council's Unrestricted Current Ratio of 3.57 is a decrease on last year's ratio of 4.07 principally due to a higher level of current liabilities at year end and expenditure on capital works. The ratio continues to reflect Council's sound financial position.

### Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2.

Council's Debt Service Cover Ratio of 17.76 reflects a small number of finance leases as the only form of borrowing.

### **Rates and annual charges outstanding**

The purpose of this ratio is to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts.

Council maintains low levels of outstanding rates and annual charges particularly given that it may allow aged pensioners where in its opinion payment would cause hardship to accrue Rates and Charges against their estate.

### **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. The benchmark is greater than 3 months.

Council's Cash Expense Cover Ratio of 7.55 months continues to be above the benchmark of 3 months. Council maintains tight cash management controls enabling it to maximise its investment returns.

### **Building and Infrastructure Renewal Ratio**

The purpose of the Building and Infrastructure Renewal Ratio is to assess the rate at which these assets are being renewed against the rate at which they are depreciating.

Council has continued its commitment to maintaining financial sustainability through the elimination of infrastructure backlogs and with ratio having averaged 174.6% over the past three years.

### **Infrastructure Backlog Ratio**

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Council's Infrastructure Backlog Ratio of 2.1% indicates that Council does not have a significant infrastructure backlog and is reflective of the higher than benchmark ratios for Building and Infrastructure Renewals and Asset Maintenance.

### **Asset Maintenance Ratio**

This ratio compares actual versus required annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing. The benchmark is greater than 1.0.

Council's Asset Maintenance Ratio of 102.32% indicates that the level of expenditure on the maintenance of infrastructure assets is sufficient to prevent the infrastructure backlog from growing.

### **Capital Expenditure Ratio**

This indicates the extent to which a Council is forecasting to expand its asset base with capital expenditure spent on both new assets, and replacement and renewal of existing assets. The benchmark is greater than 1.1.

Council's Capital Expenditure Ratio continues to be well above the benchmark reflecting its significant capital expenditure program and the utilisation of developer contributions for the construction of new assets.

**HISTORICAL INFORMATION**
**INCOME STATEMENT**

\$ '000	Actual 2014	Actual 2013	Actual 2012	Actual 2011	Actual 2010
<b>INCOME FROM CONTINUING OPERATIONS</b>					
<b>Revenue:</b>					
Rates & Annual Charges	93,225	88,201	83,119	79,257	76,958
User Charges & Fees	35,525	32,301	31,792	30,287	26,797
Interest & Investment Revenue	3,887	4,437	5,329	5,947	5,641
Other Revenues	11,394	10,408	9,356	7,624	12,818
Grants & Contributions provided for Operating Purposes	6,320	7,288	8,677	7,549	7,483
Grants & Contributions provided for Capital Purposes	4,750	3,970	4,160	6,921	5,517
<b>Other Income:</b>					
Net gains from the disposal of assets	1,255	4,781	205	167	308
Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	-	-	377	71	-
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>156,356</b>	<b>151,386</b>	<b>143,015</b>	<b>137,823</b>	<b>135,522</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee Benefits & On-Costs	58,989	55,776	54,434	52,435	51,535
Borrowing Costs	1,079	902	312	330	600
Materials & Contracts	51,026	48,002	49,522	47,676	43,661
Depreciation & Amortisation	15,079	14,127	13,880	13,566	13,148
Impairment	-	-	-	-	-
Other Expenses	18,706	17,644	16,129	14,629	12,907
Interest & Investment Losses	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-
Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	137	113	-	-	216
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>145,016</b>	<b>136,563</b>	<b>134,277</b>	<b>128,636</b>	<b>122,067</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>11,340</b>	<b>14,823</b>	<b>8,738</b>	<b>9,187</b>	<b>13,455</b>
<b>DISCONTINUED OPERATIONS</b>					
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-
<b>NET OPERATING RESULT FOR THE YEAR</b>	<b>11,340</b>	<b>14,823</b>	<b>8,738</b>	<b>9,187</b>	<b>13,455</b>
Attributable to:					
- Council	10,356	13,694	7,459	8,113	12,417
- Non-controlling Interests	984	1,129	1,279	1,074	1,038
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>6,590</b>	<b>10,853</b>	<b>4,578</b>	<b>2,266</b>	<b>7,938</b>



## STATEMENT OF FINANCIAL POSITION

\$ '000	Actual 2014	Actual 2013	Actual 2012	Actual 2011	Actual 2010
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash & Cash Equivalents	7,265	4,311	6,544	11,182	9,946
Investments	72,805	76,511	68,537	71,038	71,707
Receivables	7,548	6,922	6,584	8,294	7,471
Inventories	78	93	96	90	90
Other	1,253	1,180	1,037	862	537
Non-current assets classified as "held for sale"	8,325	9,309	2,944	2,944	2,944
<b>Total Current Assets</b>	<b>97,274</b>	<b>98,326</b>	<b>85,742</b>	<b>94,410</b>	<b>92,695</b>
<b>Non-Current Assets</b>					
Investments	3,283	3,287	4,318	5,623	14,066
Receivables	519	515	497	497	446
Inventories	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	2,444,815	2,429,738	2,383,286	2,369,616	3,502,380
Investments accounted for using the equity method	977	1,113	1,226	849	778
Investment Property	1,800	1,900	2,100	2,100	2,050
Intangible Assets	2,595	1,991	1,840	1,270	135
Other	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>2,453,989</b>	<b>2,438,544</b>	<b>2,393,267</b>	<b>2,379,955</b>	<b>3,519,855</b>
<b>TOTAL ASSETS</b>	<b>2,551,263</b>	<b>2,536,870</b>	<b>2,479,009</b>	<b>2,474,365</b>	<b>3,612,550</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	17,704	13,719	13,766	18,602	15,850
Borrowings	9	261	491	574	1,427
Provisions	12,749	13,071	12,457	11,582	11,162
<b>Total Current Liabilities</b>	<b>30,462</b>	<b>27,051</b>	<b>26,714</b>	<b>30,758</b>	<b>28,439</b>
<b>Non-Current Liabilities</b>					
Payables	-	-	600	400	200
Borrowings	4	13	274	508	811
Provisions	18,674	17,443	6,752	6,338	5,597
Investments accounted for using the equity method	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>18,678</b>	<b>17,456</b>	<b>7,626</b>	<b>7,246</b>	<b>6,608</b>
<b>TOTAL LIABILITIES</b>	<b>49,140</b>	<b>44,507</b>	<b>34,340</b>	<b>38,004</b>	<b>35,047</b>
<b>NET ASSETS</b>	<b>2,502,123</b>	<b>2,492,363</b>	<b>2,444,669</b>	<b>2,436,361</b>	<b>3,577,503</b>
<b>EQUITY</b>					
Retained Earnings	2,349,208	2,339,980	2,326,286	2,318,827	3,481,267
Revaluation Reserves	144,312	144,312	110,929	110,929	90,296
<b>Council Equity Interest</b>	<b>2,493,520</b>	<b>2,484,292</b>	<b>2,437,215</b>	<b>2,429,756</b>	<b>3,571,563</b>
<b>Non-controlling Interest</b>	<b>8,603</b>	<b>8,071</b>	<b>7,454</b>	<b>6,6605</b>	<b>5,940</b>
<b>TOTAL EQUITY</b>	<b>2,502,123</b>	<b>2,492,363</b>	<b>2,444,669</b>	<b>2,436,361</b>	<b>3,577,503</b>

# GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

**GENERAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**CONTENTS**

	<b>Page</b>
Statement by Councillors & Management	<b>14</b>
Income Statement	<b>15</b>
Statement of Comprehensive Income	<b>16</b>
Statement of Financial Position	<b>17</b>
Statement of Changes in Equity	<b>18</b>
Statement of Cash Flows	<b>19</b>
Notes to the Financial Statements	<b>20</b>
Auditors' Reports	<b>78</b>

These Financial Statements are general purpose financial statements for Warringah Council and its controlled entities and are presented in Australian Currency.

Warringah Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993.

The Financial Statements are authorised for issue by the Council on 5 August 2014. Council has the power to amend and reissue the Financial Statements.

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

**ELECTED MEMBERS****MAYOR**

Michael Regan

**COUNCILLORS**

Wayne Gobert OAM

Vanessa Moskel

Vincent De Luca OAM

Sue Heins

Bob Giltinan

Pat Daley

Roslyn Harrison

Duncan Kerr

Jose Menano-Pires

**PRINCIPAL PLACE OF BUSINESS**725 Pittwater Road  
Dee Why NSW 2099**OPENING HOURS**Monday to Friday  
8.30am - 5.00pm**CONTACT DETAILS****Mailing Address:**DX 9118  
Dee Why NSW 2099**Telephone:** 02 9942 2111**Facsimile:** 02 9971 4522**Internet:** [www.warringah.nsw.gov.au](http://www.warringah.nsw.gov.au)**Email:** [council@warringah.nsw.gov.au](mailto:council@warringah.nsw.gov.au)**OTHER INFORMATION****ABN:** 31 565 068 406**AUDITORS**

Hill Rogers Spencer Steer

**OFFICERS****GENERAL MANAGER**

Rik Hart

**PUBLIC OFFICER**

John Warburton

**RESPONSIBLE ACCOUNTING OFFICER**

David Walsh

**GENERAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**STATEMENT BY COUNCILLORS AND MANAGEMENT**

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

The attached General Purpose Financial Report has been prepared in accordance with:



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

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

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

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

Signed in accordance with a resolution of Council made on 5 August 2014.

  
\_\_\_\_\_  
Michael Regan  
MAYOR  
\_\_\_\_\_  
Sue Heins  
COUNCILLOR  
\_\_\_\_\_  
Rik Hart  
GENERAL MANAGER  
\_\_\_\_\_  
David Walsh  
RESPONSIBLE ACCOUNTING OFFICER



## INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

Budget <sup>(1)</sup>			Actual	Actual
2014	\$ '000	Notes	2014	2013
<b>INCOME FROM CONTINUING OPERATIONS</b>				
<b>Revenue:</b>				
93,233	Rates & Annual Charges	3a	93,225	88,201
36,111	User Charges & Fees	3b	35,525	32,301
3,403	Interest & Investment Revenue	3c	3,887	4,437
9,953	Other Revenues	3d	11,394	10,408
7,377	Grants & Contributions provided for Operating Purposes	3e,f	6,320	7,288
4,034	Grants & Contributions provided for Capital Purposes	3e,f	4,750	3,970
<b>Other Income:</b>				
8,394	Net gains from the disposal of assets	5	1,255	4,781
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the Equity Method	19	-	-
<b>162,505</b>	<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>		<b>156,356</b>	<b>151,386</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
59,375	Employee Benefits & On-Costs	4a	58,989	55,776
1,003	Borrowing Costs	4b	945	902
51,991	Materials & Contracts	4c	51,160	48,002
15,167	Depreciation & Amortisation	4d	15,079	14,127
-	Impairment	4d	-	-
17,956	Other Expenses	4e	18,706	17,644
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	-
	Net Share of interests in Joint Ventures & Associated			
302	Entities using the Equity Method	19	137	113
<b>145,794</b>	<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>		<b>145,016</b>	<b>136,563</b>
<b>16,711</b>	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>11,340</b>	<b>14,823</b>
<b>DISCONTINUED OPERATIONS</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>16,711</b>	<b>NET OPERATING RESULT FOR THE YEAR</b>		<b>11,340</b>	<b>14,823</b>
Attributable to:				
15,727	- Council		10,356	13,694
984	- Non-controlling Interests		984	1,129
<b>12,677</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>6,590</b>	<b>10,853</b>

<sup>(1)</sup>Original Budget as approved by Council - refer Note 16

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



**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2014

\$'000	Notes	Actual 2014	Actual 2013
<b>Net operating result for the year - from Income Statement</b>		<b>11,340</b>	<b>14,823</b>
<b>Other Comprehensive Income</b>			
Gain on revaluation of infrastructure, property, plant and equipment	20b	-	33,494
Movement in revaluation reserve from disposal	20(b)	-	(111)
Total other Comprehensive Income for the year		-	33,383
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>11,340</b>	<b>48,206</b>
Attributable to:			
- Council		10,356	47,077
- Non-controlling Interests		984	1,129

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



## STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	7,265	4,311
Investments	6b	72,805	76,511
Receivables	7	7,548	6,922
Inventories	8	78	93
Other	8	1,253	1,180
Non-current assets classified as "held for sale"	22	8,325	9,309
<b>Total Current Assets</b>		<b>97,274</b>	<b>98,326</b>
<b>Non-Current Assets</b>			
Investments	6b	3,283	3,287
Receivables	7	519	515
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	2,444,815	2,429,738
Investments accounted for using the equity method	19	977	1,113
Investment Property	14	1,800	1,900
Intangible Assets	25	2,595	1,991
Other	8	-	-
<b>Total Non-Current Assets</b>		<b>2,453,989</b>	<b>2,438,544</b>
<b>TOTAL ASSETS</b>		<b>2,551,263</b>	<b>2,536,870</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	17,704	13,719
Borrowings	10	9	261
Provisions	10	12,749	13,071
<b>Total Current Liabilities</b>		<b>30,462</b>	<b>27,051</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	4	13
Provisions	10	18,674	17,443
Investments accounted for using the equity method	19	-	-
<b>Total Non-Current Liabilities</b>		<b>18,678</b>	<b>17,456</b>
<b>TOTAL LIABILITIES</b>		<b>49,140</b>	<b>44,507</b>
<b>NET ASSETS</b>		<b>2,502,123</b>	<b>2,492,363</b>
<b>EQUITY</b>			
Retained Earnings	20	2,349,208	2,339,980
Revaluation Reserves	20	144,312	144,312
<b>Council Equity Interest</b>		<b>2,493,520</b>	<b>2,484,292</b>
<b>Non-controlling Interest</b>		<b>8,603</b>	<b>8,071</b>
<b>TOTAL EQUITY</b>		<b>2,502,123</b>	<b>2,492,363</b>

The above Balance Sheet should be read in conjunction with the accompanying notes

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Non-controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b>	20	2,339,980	144,312	2,484,292	8,071	<b>2,492,363</b>
Correction of Errors	20	(1,128)	-	(1,128)	-	<b>(1,128)</b>
Changes in Accounting Policies	20	-	-	-	-	-
<b>Restated Opening Balances</b>	<b>20</b>	<b>2,338,852</b>	<b>144,312</b>	<b>2,483,164</b>	<b>8,071</b>	<b>2,491,235</b>
Net Operating Result for the year	20	10,356	-	10,356	984	<b>11,340</b>
Other Comprehensive Income	20	-	-	-	-	-
<b>Total Comprehensive Income</b>		<b>10,356</b>	<b>-</b>	<b>10,356</b>	<b>984</b>	<b>11,340</b>
Dividends Paid to Minority Interests		-	-	-	(452)	(452)
<b>Closing Balance</b>		<b>2,349,208</b>	<b>144,312</b>	<b>2,493,520</b>	<b>8,603</b>	<b>2,502,123</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Non-controlling Interest	Total Equity
<b>2013</b>						
<b>Opening Balance</b>	20	2,326,286	110,929	2,437,215	7,454	<b>2,444,669</b>
Correction of Errors	20	-	-	-	-	-
Changes in Accounting Policies	20	-	-	-	-	-
<b>Restated Opening Balances</b>	<b>20</b>	<b>2,326,286</b>	<b>110,929</b>	<b>2,437,215</b>	<b>7,454</b>	<b>2,444,669</b>
Net Operating Result for the year	20	13,694	-	13,694	1,129	<b>14,823</b>
Other Comprehensive Income	20	-	33,383	33,383	-	<b>33,383</b>
<b>Total Comprehensive Income</b>		<b>13,694</b>	<b>33,383</b>	<b>47,077</b>	<b>1,129</b>	<b>48,206</b>
Dividends Paid to Minority Interests		-	-	-	(512)	(512)
<b>Closing Balance</b>		<b>2,339,980</b>	<b>144,312</b>	<b>2,484,292</b>	<b>8,071</b>	<b>2,492,363</b>

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



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

Budget		Notes	Actual	Actual
2014	\$ '000		2014	2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
93,233	Rates & Annual Charges		93,501	87,846
36,111	User Charges & Fees		35,623	31,950
3,403	Interest & Investment Revenue Received		3,616	4,452
11,411	Grants & Contributions		11,092	11,629
-	Deposits & Retentions Received		2,686	1,216
7,276	Other		11,403	10,817
<b>Payments:</b>				
(59,375)	Employee Benefits & On-Costs		(58,936)	(55,051)
(51,991)	Materials & Contracts		(48,430)	(48,819)
(1,003)	Borrowing Costs		(209)	(82)
-	Deposits & Retentions Refunded		(2,346)	(1,344)
(17,956)	Other Expenses		(19,761)	(17,375)
<b>21,109</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>28,239</b>	<b>25,239</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investments		117,843	154,465
-	Sale of Investment Property		-	-
7,534	Sale of Infrastructure, Property, Plant & Equipment		2,199	7,687
<b>Payments:</b>				
-	Purchase of Investment Securities		(113,952)	(161,385)
(30,321)	Purchase of Infrastructure, Property, Plant & Equipment		(30,058)	(27,085)
-	Purchase of Intangibles		(604)	(151)
<b>(22,787)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(24,572)</b>	<b>(26,469)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
-	Proceeds from Borrowings & Advances		-	-
<b>Payments:</b>				
-	Repayment of Borrowings & Advances		-	-
(575)	Repayment of Finance Lease Liabilities		(261)	(491)
(372)	Dividends Paid to Minority Interests		(452)	(512)
<b>(947)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(713)</b>	<b>(1,003)</b>
<b>(2,625)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>2,954</b>	<b>(2,233)</b>
7,708	Cash & Cash Equivalents at beginning of the year	11a	4,311	6,544
<b>5,083</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>7,265</b>	<b>4,311</b>

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## CONTENTS OF THE NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

Note	Details	Page
1	Summary of Significant Accounting Policies	21
2(a)	Functions or Activities	30
2(b)	Components of Functions or Activities	31
3	Income from Continuing Operations	32
3(a)	Rates & Annual Charges	32
3(b)	User Charges & Fees	32
3(c)	Interest & Investment Revenue	33
3(d)	Other Revenues	33
3(e)	Grants	34
3(f)	Contributions	35
4	Expenses from Continuing Operations	36
4(a)	Employee Benefits & On-Costs	36
4(b)	Borrowing Costs	36
4(c)	Materials & Contracts	37
4(d)	Depreciation, Amortisation & Impairment	38
4(e)	Other Expenses	39
5	Gains or Losses from the Disposal of Assets	40
6(a)	Cash and Cash Equivalents	41
6(b)	Investments	41
6(c)	Restricted Cash, Cash Equivalents & Investments	42
7	Receivables	43
8	Inventories and Other Assets	44
9(a)	Infrastructure, Property, Plant and Equipment	45
9(b)	Restricted Infrastructure, Property, Plant and Equipment	46
10(a)	Payables, Borrowings and Provisions	47
10(b)	Description of and movements in Provisions	49
11	Reconciliation of Operating Result to Net Cash Movement from Operating Activities	50
12	Commitments for Expenditure	52
13	Statement of Performance Measures - Consolidated Results	53
14	Investment Properties	54
15	Financial Risk Management	55
16	Material Budget Variations	59
17	Statement of Developer Contributions	60
18	Contingencies	62
19	Interests in Subsidiaries and Joint Ventures	64
20	Retained Earnings and Revaluation Reserves	66
21	Results by Fund	67
22	Non-Current Assets classified as Held for Sale	67
23	Events occurring after Reporting Date	68
24	Discontinued Operations	68
25	Intangible Assets	68
26	Reinstatement, Rehabilitation & Restoration Liabilities	69
27	Fair Value Measurement	70

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of preparation

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

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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards. It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology. The level of disclosure regarding fair value has increased significantly and has been included in the financial statements at Note 27.

AASB 119 Employee Benefits has changed the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits. The Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period.

Council continues to measure long term benefits using present values that take account of future salary increases and therefore the changes to AASB 119 Employee Benefits have had no impact.

##### (ii) Early adoption of standards

Warringah Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

##### (iii) Historical Cost Convention

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

##### (iv) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

##### Critical accounting estimates and assumptions

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

- (i) Estimated fair values of investment properties.
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

##### Critical judgements in applying the entity's accounting policies

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

#### (b) Revenue Recognition

Council recognises revenue when the amount of revenue can be reliably

measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

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

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

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

Revenue is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and 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). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of Section 94A of the Environmental Planning & Assessment Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consent 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. A detailed Note relating to developer contributions can be found at Note 17.

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

#### **(ii) 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.

#### **(iii) 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.

#### **(iv) Interest**

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

#### **(v) Rent**

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

#### **(vi) Dividend income**

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

#### **(vii) 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**

#### **(i) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General Purpose Operations
- Kimbriki Environmental Enterprises Pty Limited

#### **(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 which must be applied only for the purposes of or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

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

#### **(iii) Associates**

Associates are all entities over which the Council has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

#### **(iv) Joint Venture Jointly Controlled Assets**

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been

incorporated throughout the financial statements under the appropriate headings. Details of the activity are set out in Note 19.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Council's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

#### **(v) County Councils**

Council is not a member of any County Councils

### **(d) Leases**

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are 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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. 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.

#### (f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes 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.

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

#### (g) Cash and Cash Equivalents

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

#### (h) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is 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 are stated at the lower of cost and net realisable value. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

##### (ii) 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 holdings 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) Non-Current "Held for Sale"

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell

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



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current assets 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 statement of financial position.

#### (k) Investments and Other Financial Assets

##### Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in Receivables (Note 7) in the statement of financial position.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are 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.

##### 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. In addition, Council may 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.

##### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

##### Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

security (note Council's obligations under Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005). The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 1(l).

#### **Impairment**

Council assesses at the end of each reporting period 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 investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### **(i) Assets carried at amortised cost**

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

#### **Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Ministerial Investment Order. Council maintains an investment policy that complies 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 the Council holds are no longer prescribed – for example subordinated debt obligations – however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

#### **(l) Fair value estimation**

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 statement of financial position 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. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Division of Local Government.

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

- Operational land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Plant and equipment (as approximated by depreciated historical cost).
- Road assets – roads, bridges and footpaths (Internal Valuation)
- Drainage assets – (Internal Valuation)
- Community Land – (Internal Valuation)
- Land Improvements (as approximated by depreciated historical cost).
- Other structures (as approximated by depreciated historical cost).
- Other assets (as approximated by depreciated historical cost).

For all 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.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised in profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income statement.

Subsequent costs are included in the asset's carrying amount or recognised

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Land including land under roads is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

**Plant & Equipment**

Office Equipment	5 – 10 years
Office Furniture	10 – 20 years
Vehicles	5 – 8 years
Heavy Plant and Road Making Equipment	5 – 8 years
Other Plant and Equipment	5 – 15 years

**Other Equipment**

Playground Equipment	5 – 15 years
Benches, seats etc	10 – 20 years
Park Structures	
– Masonry	50 – 100 years
Park Structures	
– Other Construction	20 – 40 years

**Buildings**

Buildings – Masonry	50 – 100 years
Buildings – Other	20 – 40 years

**Stormwater Drainage**

Drains	50 – 100 years
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**Transportation Assets**

Sealed Roads – Surface	20 years
Sealed Roads – Structure	100 years
Bridge – Concrete	100 years
Bridge – Other	100 years
Road Pavements	100 years
Kerb, Gutter & Paths	100 years

**Other Assets**

Library Books	5 – 15 years
Networks	Indefinite

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting position 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 9(a).

**Capitalisation Thresholds**

All items of infrastructure, property, plant and equipment are capitalised with the exception where the cost of acquisition is as follows:

**Plant & Equipment**

Office Furniture	< \$2,000
Office Equipment	< \$2,000
Other Plant & Equipment	< \$2,000

**Restricted Assets**

Note 9(a) includes property assets at No's 7, 8, 8A & 10 Kimbriki Rd, Ingleside. These assets were acquired during previous reporting periods. As at June 2014, council holds equity in the four (4) properties at Kimbriki Rd, Ingleside for the purpose of site closure by agreement with Manly, Mosman and Pittwater councils. 7 Kimbriki Rd, Ingleside has been partly funded by the Domestic Waste Management Reserve to the extent of 35.5% of the purchase price, which equals \$0.852 million.

**(n) Investment property**

Investment property, principally comprising freehold office buildings, is held for long- term rental yields and is not occupied by the Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair values are recorded in profit or loss as part of other income. The last revaluation for Council's Investment Properties was dated 30 June 2014.

Investment property includes properties that are under construction for future use as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Council has only one property classified as an investment property which is situated at 521 Pittwater Road, Brookvale.

**(o) Payables**

**(i) Goods & Services**

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(ii) Payments received in advance & deposits**

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

The interest rate that Council will pay on monies held in bonds is 0.20% per annum. (Commonwealth Everyday account). Only accrued interest amounts over \$1.00 will be paid out.

**(p) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

#### (q) Borrowing costs

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

#### (r) Provisions

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

#### (s) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

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

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

##### (iii) Retirement benefit obligations

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

##### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans i.e. as an expense when it becomes payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119 Employee Benefits. Sufficient information under 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 amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2014 was \$1,216,488. The last valuation of the

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scheme was performed by Mr Richard Boyfield, Representative of Mercer Consulting (Australia) Pty Ltd, AFS Licence No. 411770 on 30 June 2014 and covers the period ended 30 June 2014.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 a deficit still exists. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$588,369. Councils expected contributions to the plan for the next annual reporting period is \$588,369.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$2,353,476 as at 30 June 2014.

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 Council's accounts. 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 Contributions 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.

**(t) Rounding of amounts**

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

**(u) Land under roads**

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that was recognised before 1 July 2008 was derecognised at 1 July 2008 against the opening balance of retained earnings.

Land under roads acquired after 1 July

2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

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

**(v) Self insurance**

Council has decided to self-insure for various risks including public liability and professional indemnity. This is up to a limit of \$150,000 (\$600,000 prior to 1 July 2006) per claim/event for public liability and \$50,000 per claim/event for professional indemnity. A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

**(w) Intangible assets****Alternative Waste Technology**

Costs incurred in acquiring licences and rights that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to licensing.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation will be calculated on a straight line basis over the life of the project. 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.

**(x) Crown Reserves**

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

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

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

**(y) Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to recognise Rural Fire Service assets including land, buildings, plant and vehicles and depreciation charges within the Financial Statements.

**(z) Goods & Services Tax (GST)**

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

Receivables and payables within the statement of financial position 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 statement of financial position.

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

**(aa) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. Warringah Council's assessment of the impact of these new standards and interpretations is set out below.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (i) AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

- (ii) AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for Council's 30 June 2015 financial statements).

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

- (iii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2014 for not-for-profit entities)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will not be classified as a joint venture under the new rules. As Council currently applies the equity method in accounting for this investment, AASB 11 will have an impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 2(a) FUNCTIONS OR ACTIVITIES

\$ '000

Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).

Functions/Activities	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Corporate Support	15,138	9,490	12,360	21,900	19,954	19,755	(6,762)	(10,464)	(7,395)	5	10	1,852,304	1,851,166
Good Governance	11	14	217	7,157	6,703	7,165	(7,146)	(6,689)	(6,948)	-	-	-	-
Certification	434	297	222	808	1,046	671	(374)	(749)	(449)	-	-	-	-
Child Care	6,629	6,573	5,325	8,383	8,289	7,043	(1,754)	(1,716)	(1,718)	591	598	658	-
Community & Safety	1,318	1,333	2,080	5,737	5,702	6,359	(4,419)	(4,369)	(4,279)	201	368	287	481
Compliance	4,454	4,553	4,021	5,437	5,115	5,246	(983)	(562)	(1,225)	-	-	-	-
Cultural Services	104	121	109	1,161	1,357	1,089	(1,057)	(1,236)	(980)	-	-	-	37
Development Assessment	1,909	1,879	1,651	5,105	5,148	5,144	(3,196)	(3,269)	(3,493)	-	-	38	-
Glen Street Theatre	1,803	1,144	1,446	2,916	2,360	2,724	(1,113)	(1,216)	(1,278)	-	-	12	-
Information & Library	683	591	591	6,342	6,439	6,051	(5,659)	(5,848)	(5,460)	367	362	1,369	1,546
Kimbriki Environmental Enterprises	19,780	21,451	18,255	21,274	23,600	20,054	(1,494)	(2,149)	(1,799)	-	-	13,822	20,561
Natural Environment	532	580	488	9,858	9,978	9,609	(9,326)	(9,398)	(9,121)	327	178	234,166	235,981
Parks, Reserves & Foreshores	716	803	685	10,856	11,368	10,040	(10,140)	(10,565)	(9,355)	-	87	101,088	80,326
Roads, Traffic & Waste	25,145	26,367	23,630	30,771	30,034	28,533	(5,626)	(3,667)	(4,903)	1,496	1,225	346,835	346,067
Strategic Planning	671	795	570	3,475	3,162	2,828	(2,804)	(2,367)	(2,258)	162	-	-	-
Warringah Aquatic Centre	2,562	2,372	2,341	4,312	4,624	4,139	(1,750)	(2,252)	(1,798)	-	-	531	532
<b>Total Functions &amp; Activities</b>	<b>81,889</b>	<b>78,363</b>	<b>73,991</b>	<b>145,492</b>	<b>144,879</b>	<b>136,450</b>	<b>(63,603)</b>	<b>(66,516)</b>	<b>(62,459)</b>	<b>3,149</b>	<b>2,828</b>	<b>2,551,110</b>	<b>2,536,697</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	302	137	113	(302)	(137)	(113)	-	-	153	173
General Purpose Income <sup>1</sup>	80,616	77,993	77,395	-	-	-	80,616	77,993	77,395	2,954	4,864	-	-
<b>Totals</b>	<b>162,505</b>	<b>156,356</b>	<b>151,386</b>	<b>145,794</b>	<b>145,016</b>	<b>136,563</b>	<b>16,711</b>	<b>11,340</b>	<b>14,823</b>	<b>6,103</b>	<b>7,692</b>	<b>2,551,263</b>	<b>2,536,870</b>
<b>Operating Result attributable to Council</b>							<b>15,727</b>	<b>10,356</b>	<b>13,694</b>				
<b>Operating Result attributable to Minority Interest</b>							<b>984</b>	<b>984</b>	<b>1,129</b>				

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 2(b) COMPONENTS OF FUNCTIONS OR ACTIVITIES

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

#### Certification Services

Issue of certificates and approvals (including Construction, Occupations, Strata, Compliance and Building Certificates), as well as conducting principal certifying authority functions.

#### Good Governance

Corporate planning, strategic advice and support, corruption prevention strategies, community engagement, elected council support, policy development and review and manage complaints service.

#### Children's Services

Long day, mobile occasional and family day care. Provision of programs, events, information and referral for children and their families. Aboriginal services, family and community education and vulnerable family service and support.

#### Information and Library Services

Public libraries providing lending, information and search services, communal space for study/research and supporting communities information, education, cultural and recreational needs.

#### Community & Safety Services

Seniors and disabled service and support, beach management, community centre management, community development program and vulnerable service and support.

#### Kimbriki Environmental Enterprises

Operation of landfill and recycling from commercial and domestic customers.

#### Compliance Services

Investigate and enforce compliance relating to unlawful building works, unlawful land uses, fire safety and breach of consent. Complaints investigation, public safety and health projects, environmental health, animal management and education.

#### Natural Environment

Advice on natural areas and environmental issues, planning and research on environmental sustainability, environmental education and stormwater management.

#### Corporate Support Services

Costs not otherwise attributed to other services (includes Customer Service, Finance, Human Resources, Information Management & Technology, Procurement and Property and Commercial Development).

#### Parks, Reserves and Foreshores

Management of parks, reserves, foreshores assets including sportsgrounds, playgrounds, rock pools and other recreational facilities.

#### Cultural Services

Co-ordination of civic and landmark events (eg Citizenship and Australia Day), community festivals, exhibitions and cultural programs.

#### Roads, Traffic and Waste

Street lighting, collection of commercial and domestic waste, public place cleaning, road network asset maintenance and traffic management.

#### Development Assessment Services

Assessment on development and subdivision, advice on development, advice and service on civil engineering.

#### Strategic Planning

Advice on land use, development and policy.

#### Glen Street Theatre

Host performing arts professionals, community groups, schools and corporate users.

#### Warringah Aquatic Centre

Aquatic centre management, providing water safety, water fitness, learn to swim and coaching programs.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 3 INCOME FROM CONTINUING OPERATIONS

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		58,148	55,954
Business		14,074	13,675
<b>Total Ordinary Rates</b>		<b>72,222</b>	<b>69,629</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s496, s501 & s611)			
Domestic Waste Management Services		20,923	18,498
Section 611 Charges		80	74
<b>Total Annual Charges</b>		<b>21,003</b>	<b>18,572</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>93,225</b>	<b>88,201</b>
Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.			
<b>(b) User Charges &amp; Fees</b>			
<b>User Charges</b> (pursuant to s.502)			
Waste Management Services (non-domestic)		454	445
<b>Total User Charges</b>		<b>454</b>	<b>445</b>
<b>Fees</b>			
Planning & Building Regulation		2,156	1,846
Regulatory/ Statutory Fees		332	326
Section 149 Certificates (EPA Act)		549	483
Section 603 Certificates		268	198
Dog Registration		64	65
Road & Shop Inspection		134	100
Child Care		5,964	5,344
Community Centres		1,729	1,182
Glen Street Theatre		771	1,075
Kimbriki Waste & Recycling Centre		17,923	15,886
Libraries		105	152
Parking Areas		1,158	961
Restoration Charges		787	959
Swimming Centres		2,177	2,087
Other		954	1,192
<b>Total Fees</b>		<b>35,071</b>	<b>31,856</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>35,525</b>	<b>32,301</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Overdue Rates & Annual Charges		222	233
- Cash and Investments		3,484	4,181
<b>Fair Value Adjustments</b>			
- Investments		181	23
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>3,887</b>	<b>4,437</b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		222	233
General Council Cash & Investments		2,575	2,650
<b>Restricted Investments/Funds - External:</b>			
<b>Development Contributions</b>			
- Section 94		915	1,286
- Section 94A		175	268
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b>3,887</b>	<b>4,437</b>
<b>(d) Other Revenues</b>			
Ex Gratia Rates		20	19
Insurance Claim Recoveries		27	332
Legal Fees Recovery - Rates & Charges (Extra Charges)		105	101
Legal Fees Recovery - Other		88	50
Other Fines		432	331
Parking Fines		2,552	2,213
Recycling Income (non domestic)		2,110	1,461
Rental Income - Investment Properties		106	151
Rental Income - Other Council Properties		2,343	2,167
Sales - General		182	171
Sullage Income/Sponsorship		26	27
Waste Performance Improvement		372	918
Other Revenues		3,031	2,467
<b>TOTAL OTHER REVENUE</b>		<b>11,394</b>	<b>10,408</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>					
<b>General Purpose (Untied)</b>					
Financial Assistance - General Component		1,581	2,906	-	-
Financial Assistance - Local Roads Component		614	1,157	-	-
Pensioners' Rates Subsidies - General Component		759	801	-	-
<b>Total General Purpose</b>		<b>2,954</b>	<b>4,864</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>					
Pensioners' Rates Subsidies:					
- Domestic Waste Management		244	231	-	-
Bushfire & Emergency Services		50	48	-	-
Child Care		591	598	-	-
Coast & Estuaries		99	76	-	-
Community Care		93	135	-	-
Community Centres		108	102	-	131
Environmental Protection		130	10	-	-
Library		91	90	276	272
Noxious Weeds		48	35	-	-
Recreation & Culture		-	67	-	30
Street Lighting		349	349	-	-
Transport (Roads to Recovery)		-	-	608	608
Transport (Other Roads & Bridges Funding)		69	37	226	-
Local Environmental Planning		162	-	-	-
Other		5	10	-	-
<b>Total Specific Purpose</b>		<b>2,039</b>	<b>1,787</b>	<b>1,110</b>	<b>1,041</b>
<b>Total Grants</b>		<b>4,993</b>	<b>6,651</b>	<b>1,110</b>	<b>1,041</b>
<b>Grant Revenue is attributable to:</b>					
- Commonwealth Funding		2,478	4,423	608	608
- State Funding		2,515	2,227	502	433
		<b>4,993</b>	<b>6,651</b>	<b>1,110</b>	<b>1,041</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(f) Contributions</b>					
<b>Developer Contributions:</b>					
- S 94		-	-	(18)	206
- S 94A Levies		-	-	2,170	1,941
<b>Total Developer Contributions</b>	17	<b>-</b>	<b>-</b>	<b>2,152</b>	<b>2,147</b>
<b>Other Contributions:</b>					
Bushfire Services		162	150	488	-
Coast & Estuaries		1	117	-	-
Other Councils - Joint Works/Services		55	27	-	-
Recreation & Culture		-	-	369	396
RMS Contributions (Regional/Local, Block Grant)		352	343	519	360
Community Services		15	-	-	-
Other		742	-	112	26
<b>Total Other Contributions</b>		<b>1,327</b>	<b>637</b>	<b>1,488</b>	<b>782</b>
<b>Total Contributions</b>		<b>1,327</b>	<b>637</b>	<b>3,640</b>	<b>2,929</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>6,320</b>	<b>7,288</b>	<b>4,750</b>	<b>3,970</b>

**(g) Restrictions relating to Grants and Contributions**

Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:

Grants and contributions recognised in the current period which have not been spent	3,307	4,235
<b>Less:</b> Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period	(9,609)	(5,439)
<b>Net Increase (Decrease) in Restricted Assets during the Current Reporting Period</b>	<b>(6,302)</b>	<b>(1,204)</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		48,283	46,059
Employee Termination Costs		478	15
Travelling		25	34
Employee Leave Entitlements (ELE)		4,917	4,604
Superannuation		5,309	4,998
Workers' Compensation Insurance		33	(35)
Fringe Benefit Tax (FBT)		417	298
Training Costs (other than Salaries & Wages)		860	817
Recruitment Costs		92	113
Other		607	704
<b>Total Employee Costs</b>		<b>61,021</b>	<b>57,607</b>
Less: Capitalised Costs		(2,032)	(1,831)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>58,989</b>	<b>55,776</b>
Number of "Full Time Equivalent" Employees at year end		589	592
Number of "Full Time Equivalent" Employees for the reporting period		635	635
<b>(b) Borrowing Costs</b>			
Interest on Loans		-	-
Charges on Finance Leases		75	82
Amortisation of Discounts and Premiums			
- Remediation Liabilities		870	820
Less: Capitalised Costs		-	-
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>945</b>	<b>902</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		9,705	9,186
Contractor & Consultancy Costs			
- Bush Regeneration		919	839
- Cleaning		940	951
- Consultancy		96	243
- External Roadwork		427	799
- Garbage		5,056	4,753
- Kimbriki Waste & Recycling Centre		10,501	10,600
- Recycling		3,590	3,533
- Waste Disposal		5,183	4,540
- Other		13,223	11,199
Remuneration of Auditors <sup>(1)</sup>			
- Audit Services		79	90
- Other Services		-	7
Legal Fees:			
- Planning & Development		314	353
- Other		961	807
Operating Leases:			
- Printers		166	102
Less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>51,160</b>	<b>48,002</b>

(1) During the year the following fees were paid or payable for services provided by the Council's auditors - Hill Rogers Spencer Steer

(i) Audit and other assurance services

Audit and review of financial statements		79	90
Other assurance services		-	-
<b>Total remuneration for audit and other assurance services</b>		<b>79</b>	<b>90</b>

(ii) Other services

- Attendance at Audit and Risk Committee Meetings		-	3
- Other		-	4
<b>Total remuneration for other services</b>		<b>-</b>	<b>7</b>

**Total remuneration of Council's auditors - Hill Rogers Spencer Steer** **79** **97**



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Depreciation/Amortisation		Impairment Costs	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>(d) Depreciation, Amortisation &amp; Impairment</b>					
Plant and Equipment		1,720	1,664	-	-
Office Equipment		1,129	869	-	-
Furniture & Fittings		55	208	-	-
Property, Plant & Equipment - Leased		240	475	-	-
Land Improvements (depreciable)		89	81	-	-
Buildings - Non Specialised		2,698	1,751	-	-
Buildings - Specialised		82	97	-	-
Other Structures		393	363	-	-
Infrastructure:					
- Roads		3,355	3,333	-	-
- Bridges		33	33	-	-
- Footpaths		365	353	-	-
- Stormwater Drainage		3,577	3,531	-	-
- Swimming Pools		195	250	-	-
- Open Space		380	349	-	-
Other Assets					
- Library Books		524	526	-	-
Tip Asset		244	244	-	-
Less: Capitalised Costs		-	-	-	-
<b>TOTAL DEPRECIATION &amp; TOTAL IMPAIRMENT</b>		<b>15,079</b>	<b>14,127</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Fair Value Adjustments - Investment Properties		100	200
Advertising		584	634
Bad & Doubtful Debts		8	49
Carbon Tax Expense		729	667
Mayoral Fee		59	58
Councillors' Fees		222	217
Councillors' (incl. Mayor) Expenses - Other (excluding fees above)		135	177
Contributions to Other Levels of Government			
- Planning Levy		278	278
- Waste Levy		6,744	5,322
- Emergency Services Levy		2,529	2,897
- Other Levies		388	-
Contributions & Donations (Section 356)		197	234
Data Services		280	388
Electricity & Heating		2,823	2,864
Insurance		752	1,032
Interest on Bonds & Deposits		3	7
Land Tax		286	-
SHOROC Contributions		135	169
Street Lighting		1,607	1,558
Telephone & Communications		475	509
Valuation Fees		223	209
Other		149	174
<b>TOTAL OTHER EXPENSES</b>		<b>18,706</b>	<b>17,644</b>





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 5 GAINS OR LOSSES FROM THE DISPOSAL OF ASSETS

\$ '000	Notes	Actual 2014	Actual 2013
<b>Property (excl. Investment Property)</b>			
Proceeds from Disposal		845	5,722
less: Carrying Amount of Property Assets Sold		-	(1,537)
<b>Net Gain/(Loss) on Disposal</b>		<b>845</b>	<b>4,185</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		1,354	1,549
less: Carrying Amount of P&E Assets Sold		(944)	(1,284)
<b>Net Gain/(Loss) on Disposal</b>		<b>410</b>	<b>265</b>
<b>Infrastructure</b>			
Proceeds from Disposal		-	3
less: Carrying Amount of Infrastructure Assets Sold		-	(114)
plus: Reversal of Revaluation Reserve		-	111
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Financial Assets</b>			
Proceeds from Disposal		117,843	146,925
less: Carrying Amount of Financial Assets Sold		(117,843)	(146,925)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Non-Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal		-	413
less: Carrying Amount of "Held for Sale" Assets Sold		-	(82)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>331</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>1,255</b>	<b>4,781</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 6(a) CASH AND CASH EQUIVALENTS

\$ '000	Notes	2014 Actual		2013 Actual	
		Current	Non-Current	Current	Non-Current
Cash on Hand and at Bank		7,265	-	4,311	-
Deposits at Call		-	-	-	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>7,265</b>	<b>-</b>	<b>4,311</b>	<b>-</b>

## NOTE 6(b) INVESTMENTS

Financial Assets at fair value through Profit and Loss - Held for Trading		-	1,283	992	1,287
Held to Maturity Investments		72,805	2,000	75,519	2,000
<b>Total</b>		<b>72,805</b>	<b>3,283</b>	<b>76,511</b>	<b>3,287</b>

**Financial Assets at fair value through Profit and Loss - Held for Trading**

At beginning of year		992	1,287	1,998	2,318
Revaluation to Income Statement		8	173	2	21
Additions		-	-	-	-
Disposals		(1,000)	(177)	(2,000)	(60)
Transfers between Current/Non -Current		-	-	992	(992)
<b>At end of year</b>		<b>-</b>	<b>1,283</b>	<b>992</b>	<b>1,287</b>

Comprising of:

FRNs		-	-	992	-
Mortgage Backed Securities		-	1,283	-	1,287
		<b>-</b>	<b>1,283</b>	<b>992</b>	<b>1,287</b>

**Held to Maturity Investments**

At beginning of year		75,519	2,000	66,539	2,000
Amortisation of discounts and premiums		-	-	-	-
Additions		111,952	2,000	161,385	-
Disposals		(116,666)	-	(152,405)	-
Transfers between Current/Non -Current		2,000	(2,000)	-	-
<b>At end of year</b>		<b>72,805</b>	<b>2,000</b>	<b>75,519</b>	<b>2,000</b>

Comprising of:

Term Deposits		72,805	2,000	75,519	2,000
FRNs		-	-	-	-
		<b>72,805</b>	<b>2,000</b>	<b>75,519</b>	<b>2,000</b>

**Note:**

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 6(c) RESTRICTED CASH, CASH EQUIVALENTS &amp; INVESTMENTS

\$ '000	Notes	2014 Actual		2013 Actual	
		Current	Non-Current	Current	Non-Current
<b>Total Cash, Cash Equivalents and Investments</b>		<b>80,070</b>	<b>3,283</b>	<b>80,822</b>	<b>3,287</b>
External Restrictions (refer below)		27,455	3,283	30,500	3,287
Internal Restrictions (refer below)		8,945	-	8,498	-
Unrestricted		43,670	-	41,824	-
		<b>80,070</b>	<b>3,283</b>	<b>80,822</b>	<b>3,287</b>

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>External Restrictions - Included in Liabilities</b>				
Nil				
<b>External Restrictions - Other</b>				
Developer Contributions - General (A)	30,591	3,241	(9,485)	24,347
Specific Purpose Unexpended Grants (B)	498	66	(124)	440
Domestic Waste Management (C)	2,564	3,387	-	5,951
Subdivision and Duffy's Forest Concurrence	134	-	(134)	-
<b>External Restrictions - Other</b>	<b>33,787</b>	<b>6,694</b>	<b>(9,743)</b>	<b>30,738</b>
<b>Total External Restrictions</b>	<b>33,787</b>	<b>6,694</b>	<b>(9,743)</b>	<b>30,738</b>

**A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contribution plans (refer Note 17).

**B** Grants which are not yet expended for the purposes for which the grants were obtained (refer Note 1).

**C** Domestic Waste Management (DWM) are externally restricted assets and must be applied for the purposes for which they were raised.

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Beach Parking	118	-	(118)	-
Compulsory Open Space Acquisition	156	864	-	1,020
Deposits, Retentions & Bonds	4,111	340	-	4,451
Employees Leave Entitlement	2,713	-	(135)	2,578
Insurance	1,037	-	(407)	630
Long Reef SLSC Renewal	171	-	-	171
Road Reserve	95	-	-	95
SES Building Capital Works	97	-	(97)	-
<b>Total Internal Restrictions</b>	<b>8,498</b>	<b>1,204</b>	<b>(757)</b>	<b>8,945</b>
<b>TOTAL RESTRICTIONS</b>	<b>42,285</b>	<b>7,015</b>	<b>(11,383)</b>	<b>37,917</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 7 RECEIVABLES

\$ '000	2014		2013	
	Current	Non-Current	Current	Non-Current
<b>Purpose</b>				
Rates & Annual Charges	2,111	326	2,390	323
Interest & Extra Charges	252	193	237	192
User Charges & Fees	3,323	-	2,569	-
Accrued Revenues				
- Interest on Investments	1,179	-	924	-
Government Grants & Subsidies	72	-	94	-
Net GST Receivable	718	-	808	-
Other Debtors	-	-	-	-
<b>Total</b>	<b>7,655</b>	<b>519</b>	<b>7,022</b>	<b>515</b>
<b>less: Provision for Impairment</b>				
Rates & Annual Charges	-	-	-	-
User Charges & Fees	(107)	-	(100)	-
<b>Total Provision for Impairment - Receivables</b>	<b>(107)</b>	<b>-</b>	<b>(100)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,548</b>	<b>519</b>	<b>6,922</b>	<b>515</b>
<b>Externally Restricted Receivables</b>				
Domestic Waste Management	537	96	553	101
Other	-	-	-	-
<b>Total External Restrictions</b>	<b>537</b>	<b>96</b>	<b>553</b>	<b>101</b>
<b>Internally Restricted Receivables</b>				
Nil				
<b>Unrestricted Receivables</b>	<b>7,011</b>	<b>423</b>	<b>6,369</b>	<b>414</b>
<b>TOTAL NET RECEIVABLES</b>	<b>7,548</b>	<b>519</b>	<b>6,922</b>	<b>515</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 8 INVENTORIES &amp; OTHER ASSETS

\$ '000	2014		2013	
	Current	Non-Current	Current	Non-Current
<b>Inventories</b>				
Stores & Materials	55	-	61	-
Trading Stock	23	-	32	-
<b>Total Inventories</b>	<b>78</b>	<b>-</b>	<b>93</b>	<b>-</b>
<b>Inventories not expected to be realised within the next 12 months</b>				
	-	-	-	-
<b>Other Assets</b>				
Prepayments	1,253	-	1,180	-
<b>Total Other Assets</b>	<b>1,253</b>	<b>-</b>	<b>1,180</b>	<b>-</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>	<b>1,331</b>	<b>-</b>	<b>1,273</b>	<b>-</b>

**Note:**

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9(a) INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

\$ '000	At 30/6/2013				Asset Movements during the Reporting Period					At 30/6/2014			
	Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying value	Additions	WDV of Disposals	Depreciation and Impairment	Adjustments & Transfers	Revaluation Increments/ (decrements)	Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying value
Capital Work in Progress	3,467	-	-	3,467	4,315	-	-	(785)	-	6,997	-	-	6,997
Plant & Equipment	-	10,772	5,434	5,338	2,542	(944)	(1,720)	-	-	-	10,667	5,452	5,216
Office Equipment	-	13,428	10,068	3,360	1,133	-	(1,128)	63	-	-	13,780	10,352	3,428
Furniture & Fittings	-	3,433	3,083	350	3	-	(55)	(33)	-	-	2,368	2,103	265
Plant & Equipment (under Finance Lease)	-	940	688	252	-	-	(240)	-	-	-	55	43	12
<b>Land:</b>													
- Operational Land	-	143,464	-	143,464	-	-	-	-	-	-	143,464	-	143,464
- Community Land	-	1,427,572	-	1,427,572	3,906	-	-	-	-	-	1,431,478	-	1,431,478
- Land Under Roads	-	1,948	-	1,948	-	-	-	-	-	-	1,948	-	1,948
Land Improvements - depreciable	-	26,281	1,256	25,025	2,045	-	(89)	204	-	-	28,530	1,345	27,185
Buildings - Non Specialised	-	168,722	39,295	129,427	3,989	-	(2,698)	1,371	-	-	174,082	41,993	132,089
Buildings - Specialised	-	9,594	1,544	8,050	1,797	-	(82)	13	-	-	11,404	1,626	9,778
Other Structures	-	45,102	5,320	39,782	1,833	-	(393)	138	-	-	47,073	5,713	41,360
<b>Infrastructure:</b>													
- Roads	-	366,947	61,291	305,656	3,725	-	(3,355)	-	-	-	370,672	64,646	306,026
- Bridges	-	5,396	980	4,416	-	-	(33)	-	-	-	5,396	1,013	4,383
- Footpaths	-	41,113	7,729	33,384	1,243	-	(365)	-	-	-	42,356	8,094	34,262
- Stormwater Drainage	-	339,189	101,709	237,480	1,550	-	(3,577)	13	-	-	340,752	105,286	235,466
- Swimming Pools	-	27,720	9,773	17,947	376	-	(195)	-	-	-	28,096	9,968	18,128
- Other Open Space/Recreational Assets	-	36,492	5,693	30,799	1,103	-	(380)	-	-	-	37,595	6,073	31,522
<b>Other Assets:</b>													
- Library Books	-	8,005	6,458	1,547	554	-	(525)	2	-	-	8,560	6,982	1,578
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tip Asset	-	11,629	1,155	10,474	-	-	(244)	-	-	-	11,629	1,399	10,230
<b>TOTAL</b>	<b>3,467</b>	<b>2,687,747</b>	<b>261,476</b>	<b>2,429,738</b>	<b>30,114</b>	<b>(944)</b>	<b>(15,079)</b>	<b>986</b>	<b>-</b>	<b>6,997</b>	<b>2,709,905</b>	<b>272,088</b>	<b>2,444,815</b>

Asset acquisitions were apportioned between

New Assets	13,596
Renewals	16,518
<b>Total Additions</b>	<b>30,114</b>

Note:

Refer to Note 27 Fair value measurement for information regarding the fair value of I,P,P & E.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 9(b) RESTRICTED INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIPMENT

\$ '000	Actual				Actual			
	2014		2013		2014		2013	
Class of Asset	At Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying Value	At Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying Value
<b>Domestic Waste Management</b>								
- 35.5% of 7 Kimbriki Rd Ingleside	-	852	-	852	-	852	-	852
<b>Total DWM</b>	-	<b>852</b>	-	<b>852</b>	-	<b>852</b>	-	<b>852</b>
<b>Other Restricted Assets</b>								
- 64.5% of 7 Kimbriki Rd Ingleside	-	6,052	-	6,052	-	6,052	-	6,052
- 100% of 8,8A & 10 Kimbriki Rd Ingleside	-	716	-	716	-	716	-	716
- Non-Cash S94 Contribution	-	716	-	716	-	716	-	716
<b>Total Other Restrictions</b>	-	<b>6,768</b>	-	<b>6,768</b>	-	<b>6,768</b>	-	<b>6,768</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	<b>7,620</b>	-	<b>7,620</b>	-	<b>7,620</b>	-	<b>7,620</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 10(a) PAYABLES, BORROWINGS AND PROVISIONS

\$ '000	Notes	Actual 2014		Actual 2013	
		Current	Non-Current	Current	Non-Current
<b>Payables</b>					
Goods & Services		1,895	-	1,605	-
Accrued Expenses					
- Wages and Salaries		1,216	-	1,066	-
- Other		6,328	-	3,978	-
Payments Received In Advance		2,753	-	1,908	-
Deposits & Retentions		4,451	-	4,111	-
Fringe Benefits Tax Payable		-	-	80	-
Other Payables		1,061	-	971	-
<b>Total Payables</b>		<b>17,704</b>	<b>-</b>	<b>13,719</b>	<b>-</b>
<b>Current Payables not expected to be settled within the next 12 months</b>					
Deposits & Retentions		2,533	-	2,596	-
<b>Total</b>		<b>2,533</b>	<b>-</b>	<b>2,596</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>(1)</sup>		-	-	-	-
Finance Lease Liability		9	4	261	13
<b>Total Borrowings</b>		<b>9</b>	<b>4</b>	<b>261</b>	<b>13</b>
<b>Provisions<sup>(2)</sup></b>					
<b>Employee Benefits;</b>					
Annual Leave		4,200	-	4,302	-
Sick Leave		257	-	340	-
Long Service Leave		7,835	966	7,682	1,031
Gratuities		38	-	4	34
Redundancies		172	-	172	-
<b>Sub Total - Aggregate Employee Benefits</b>		<b>12,502</b>	<b>966</b>	<b>12,500</b>	<b>1,065</b>
Self Insurance - Workers Compensation		182	382	222	528
- Public Liability		34	596	318	719
- Other		-	-	-	-
Asset Remediation	26	-	15,365	-	14,495
Carbon Tax		31	1,365	31	636
<b>Total Provisions</b>		<b>12,749</b>	<b>18,674</b>	<b>13,071</b>	<b>17,443</b>
<b>Current Provisions not expected to be settled within the next 12 months</b>					
		7,146	-	7,459	-

**Notes:**<sup>(1)</sup>Loans are secured over the income of Council<sup>(2)</sup>Vested ELE is all carried as a current provision





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 10(a) PAYABLES, BORROWINGS AND PROVISIONS (continued)

\$ '000	Actual 2014		Actual 2013	
	Current	Non- Current	Current	Non-Current
<b>Liabilities relating to Restricted Assets</b>				
<b>Externally Restricted Assets</b>				
Domestic Waste Management	1,366	-	483	-
<b>Total</b>	<b>1,366</b>	<b>-</b>	<b>483</b>	<b>-</b>
<b>Internally Restricted Assets</b>				
Security Bonds, Deposits & Retentions	4,451	-	4,265	-
Employee Leave Entitlements	2,385	193	2,380	207
Self Insurance	182	382	222	528
<b>Total</b>	<b>7,018</b>	<b>575</b>	<b>6,867</b>	<b>735</b>
<b>Total Liabilities relating to restricted assets</b>	<b>8,384</b>	<b>575</b>	<b>7,350</b>	<b>735</b>
<b>Liabilities related to unrestricted assets</b>	<b>22,078</b>	<b>18,103</b>	<b>19,701</b>	<b>16,721</b>
<b>Total</b>	<b>30,462</b>	<b>18,678</b>	<b>27,051</b>	<b>17,456</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 10(b) DESCRIPTION OF AND MOVEMENTS IN PROVISIONS**

The movement in each class of provision (excluding those relating to employee benefits) is presented in the table below.

Class of Provision \$'000	Opening Balance	Additional Provisions/ (Write backs)	Payments	Remeasurement	Closing Balance
Self Insurance	1,787	(212)	(381)	-	1,194
Asset Remediation	14,495	870	-	-	15,365
Carbon Tax	667	729	-	-	1,396
<b>TOTAL</b>	<b>16,949</b>	<b>1,387</b>	<b>(381)</b>	<b>-</b>	<b>18,577</b>

- a. Self Insurance Provisions represent both (i) Claims incurred but not reported and (ii) Claims reported & estimated as a result of Council being a self insurer up to certain levels of excess. For public liability this limit is \$150,000 (\$600,000 prior to 1 July 2006) per claim/event and for professional indemnity \$50,000 per claim/event.
- Specific uncertainties relating to the final costs and the assumptions made in determining Provisions for Self Insurance include:
- Claims Escalation of between 2.844% and 3.500% per annum and Bond Yields of between 2.474% and 3.839% per annum over a 12 year period;
  - All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2014;
  - Workers Compensation Claim payments projected into the future by the adopted actuarial model will be in "standardised" values as at June 2014; and
  - The outstanding estimates for Public Liability & Professional Indemnity claims include medical, legal and other claim related costs.
- The last actuarial assessment was undertaken in April 2014 and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.
- b. Asset Remediation Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations. An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by GHD in June 2013. Refer Note 26 for further information regarding Reinstatement, Rehabilitation and Restoration Liabilities.
- c. The Carbon Tax liability is separate and distinct from the liability for remediation of the landfill site. Carbon costs are recognised as an operating expense in the income statement as emissions are incurred. The carbon tax repeal legislation received Royal Assent on 17 July 2014 and the bills as part of that package are law with effect from 1 July 2014. As at 30 June 2014, Council; still had a present obligation to meet carbon tax liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 11 RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	7,265	4,311
<b>Balances as per Statement of Cash Flows</b>		<b>7,265</b>	<b>4,311</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>11,340</b>	<b>14,823</b>
<b>Add:</b>			
Depreciation and Amortisation		15,079	14,127
Increase in Provision for Doubtful Debts		7	5
Decrease in Receivables		-	-
Decrease in Inventories		15	3
Decrease in Equity Share in Joint Venture		137	113
Increase in Payables		2,501	-
Increase in Provision for Leave Entitlements		-	619
Increase in Other Provisions		136	256
Increase in Other Current Liabilities		1,425	417
Unwinding of Discount Rates on Reinstatement Provisions		870	820
Fair Value Adjustments to Investment Property		100	200
Fair Value Adjustments to Financial Assets through Profit and Loss		-	-
		<b>31,610</b>	<b>31,383</b>
<b>Less:</b>			
Increase in Receivables		(637)	(361)
Decrease in Provision for Doubtful Debts		-	-
Increase in Inventories		-	-
Increase in Other Current Assets		(73)	(143)
Increase in Equity Share in Joint Venture		-	-
Decrease in Payables		-	(836)
Decrease in Provision for Leave Entitlements		(97)	-
prior Period Error		(1,128)	-
Gain on Disposal of Assets		(1,255)	(4,781)
Fair Value Adjustments to Financial Assets through Profit and Loss		(181)	(23)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT</b>		<b>28,239</b>	<b>25,239</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## Note 11 RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES (Continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Land		-	-
<hr/>			
<b>(d) Financing Arrangements</b>			
Unrestricted access was available at balance date to the following:			
Bank Overdraft Facilities <sup>(1)</sup>		500	500
Corporate Credit Cards		150	150
Bank Guarantee for possible Workers Compensation Claims		1,500	1,500
		<b>2,150</b>	<b>2,150</b>

**Notes:**

<sup>(1)</sup>The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on Overdrafts and Loans are disclosed in Note 15.

**(e) Bank guarantees/ Loan guarantees**

Under the Workers Compensation Act 1987, self insurers are required to provide financial security to ensure that other employers in the State will not be required to meet the cost of claims if these entities are not able to meet their workers compensation liabilities. As a self insurer Council has provided WorkCover with a bank guarantee for \$1.5m (2013 \$1.5m) to meet this requirement.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 12 COMMITMENTS FOR EXPENDITURE

\$ '000	Notes	Actual 2014	Actual 2013
<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:			
- Land & Buildings		1,737	5,692
- Plant & Equipment		-	-
- Office Equipment		-	-
- Other Structures		155	176
- Infrastructure		3,116	7,141
<b>Total</b>		<b>5,008</b>	<b>13,009</b>
<b>Description of Commitments</b>			
Contractual commitments for capital works currently being undertaken			
<b>(b) Finance Lease Commitments</b>			
Commitments under Finance Leases at the Reporting Date are payable as follows:			
- Not later than one year		9	272
- Later than one year and not later than 5 years		5	14
- Later than 5 years		-	-
<b>Total</b>		<b>14</b>	<b>286</b>
Minimum Lease Payments		14	286
less: Future Finance Charges		(1)	(12)
<b>Lease Liability</b>		<b>13</b>	<b>274</b>
Representing lease liabilities			
- Current Liabilities		9	261
- Non-Current Liabilities		4	13
<b>Total</b>		<b>13</b>	<b>274</b>
<b>Description of Leases</b>			
Information Technology Equipment Leases due to expire 2017			
<b>(c) Non-cancellable Operating Lease Commitments</b>			
- Not later than one year		181	54
- Later than one year and not later than 5 years		393	97
- Later than 5 years		-	-
<b>Total</b>		<b>574</b>	<b>151</b>
<b>Description of Leases</b>			
Information Technology Equipment Leases due to expire 2018			
<b>(d) Repairs and Maintenance: Investment Property</b>			
Contractual Obligations for future repairs and maintenance		-	-
<b>Total</b>		<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 13 STATEMENT OF PERFORMANCE MEASURES - CONSOLIDATED RESULTS

\$ '000	Amounts	Indicator	2013	2012
	2014	2014		
<b>1. Operating Performance</b>				
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions less operating expenses	5,391	3.59%	4.46%	3.07%
Operating Revenue <sup>1</sup> excluding Capital Grants and Contributions	150,171			
<b>2. Own Source Operating Revenue</b>				
Total continuing operating revenue <sup>1</sup> less all grants and contributions	143,850	92.85%	92.32%	91.00%
Total continuing operating revenue <sup>1</sup> inclusive of capital grants and contributions	154,920			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions	69,282	3.57	4.07	3.35
Current Liabilities less Specific Purpose Liabilities	19,417			
<b>4. Debt Service Cover Ratio</b>				
Operating Results <sup>1</sup> before capital excluding interest and depreciation/impairment/amortisation (EBTDA)	21,415	17.76	15.36	19.23
Principal repayments (from the statement of cash flows) plus borrowing interest costs (from the income statement)	1,206			
<b>5. Rates and Annual Charges Outstanding Percentage</b>				
Rates and Annual Charges Outstanding	2,882	2.98%	3.44%	3.18%
Rates and Annual Charges Collectible	96,694			
<b>6. Cash Expense Cover Ratio</b>				
Current year's cash and cash equivalents including term deposits	82,070	7.55	7.94	7.06
Payments from cash flow of operating and financing activities ÷ 12	10,866			

**Note:**

<sup>1</sup> Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 14 INVESTMENT PROPERTIES

\$ '000	Notes	Actual 2014	Actual 2013
<b>At Fair value</b>			
Opening Balance at 1 July		1,900	2,100
Acquisitions		-	-
Capitalised subsequent expenditure		-	-
Classified as held for sale or disposals		-	-
Net gain (loss) from fair value adjustment		(100)	(200)
Transfer (to) from inventories and owner occupied property		-	-
<b>Closing Balance at 30 June</b>		<b>1,800</b>	<b>1,900</b>
<b>(a) Amounts recognised in profit and loss for investment property</b>			
Rental income		106	151
Net gain (loss) from fair value adjustment		(100)	(200)
Direct operating expenses from property that generated rental income		(10)	(14)
Direct operating expenses from property that did not generate rental income		-	-
		<b>(4)</b>	<b>(63)</b>
<b>(b) Contractual Obligations</b>			
Refer to Note 12 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.			
<b>(c) Leasing Arrangements</b>			
The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows.			
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:			
Within 1 year		86	81
Later than 1 year but less than 5 years		323	-
Later than 5 years		-	-
<b>Total Minimum Lease Payments Receivable</b>		<b>409</b>	<b>81</b>

**Note:**

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

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 15 FINANCIAL RISK MANAGEMENT****Risk Management**

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk. 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 Unit under policies approved by the Council.

Council held the following financial instruments at balance date:

\$'000	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	7,265	4,311	7,265	4,311
Receivables	8,067	7,437	8,067	7,437
Financial Assets at Fair value through profit or loss - Held for Trading	1,283	2,279	1,283	2,279
Held-to-Maturity Investments	74,805	77,519	74,805	77,519
<b>Total Financial Assets</b>	<b>91,420</b>	<b>91,546</b>	<b>91,420</b>	<b>91,546</b>
<b>Financial Liabilities</b>				
Payables	14,951	11,811	14,951	11,811
Borrowings	13	274	13	274
<b>Total Financial Liabilities</b>	<b>14,964</b>	<b>12,085</b>	<b>15,211</b>	<b>12,085</b>

**Note:**

Refer to Note 27 for fair value information.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 15 FINANCIAL RISK MANAGEMENT (continued)

\$ '000

## (a) Cash and Cash Equivalents

## Financial Assets at Fair Value through the Profit and Loss

## Held-to-Maturity Investments

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital. Council's Financial Unit manages its cash and investments portfolio with the assistance of independent advisors. Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. The Policy is regularly reviewed by Council and an Investment Report provided to Council on a monthly basis setting out the make-up and performance of the portfolio.

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 these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.
- Interest rate risk – the risk that movements in interest rates could affect returns.
- Credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash and investments.

The impact on result for the year and equity of a reasonably possible movement in the price of investments held is shown below. The reasonably possible movement was determined based on historical movements and economic conditions in place at the reporting date.

\$'000	2014	2013
Impact of a 10% <sup>(1)</sup> movement in price of Investments		
- Equity	128	228
- Income Statement <sup>(2)</sup>	128	228
Impact of a 1% <sup>(1)</sup> movement in Interest Rates on Cash and Investments		
- Equity	834	841
- Income Statement <sup>(2)</sup>	834	841

## Notes:

<sup>(1)</sup> Sensitivity percentages based on management's expectation of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents and FRNs.)

Recent market volatility has seen larger market movements for certain types of investments.

<sup>(2)</sup> Maximum impact.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 15 FINANCIAL RISK MANAGEMENT (continued)****(b) Receivables**

Council's major receivables comprise Rates & Annual Charges and User Charges & Fees. The major risk associated with these receivables is credit risk - the risk that debts due and payable to Council may not be repaid. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

Credit risk on Rates and Annual Charges is minimised by the ability of Council to recover these debts as a secured charge over the land that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue Rates & Annual Charges which further encourages payment.

There are no significant concentrations of credit risk. The level of outstanding receivables is reported to Council quarterly 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 material non-rate debtors.

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

The profile of the Council's credit risk at reporting date was:

	2014	2013
Percentage of Rates and Annual Charges		
- Current	-	-
- Overdue	100%	100%
Analysis of overdue debts		
0 - 30 days overdue	2,245	2,269
30 - 60 days overdue	-	-
60 - 90 days overdue	-	-
90 days + overdue	192	444
Percentage of Other Receivables		
- Current	94%	93%
- Overdue	6%	7%
Analysis of overdue debts		
0 - 30 days overdue	2,384	1,765
30 - 60 days overdue	418	391
60 - 90 days overdue	188	267
90 days + overdue	335	146

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 15 FINANCIAL RISK MANAGEMENT (continued)**

\$ '000

**(c) Payables & Borrowings**

Payables & Borrowings are both subject to liquidity risk - the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities can be drawn down in extenuating circumstances.

The contractual undiscounted cash outflows of Council's Payables & Borrowings are set out in the Liquidity Sensitivity Table below:

\$'000	Due Within 1 Year	Due Between 1 and 5 Years	Due after 5 Years	Total Contractual Cash Flows	Carrying Values
<b>2014</b>					
Payables	14,951	-	-	14,951	14,951
Borrowings	9	4	-	13	13
<b>Total Financial Liabilities</b>	<b>14,960</b>	<b>4</b>	<b>-</b>	<b>14,964</b>	<b>14,964</b>
<b>2013</b>					
Payables	11,811	-	-	11,811	11,811
Borrowings	272	14	-	286	286
<b>Total Financial Liabilities</b>	<b>12,083</b>	<b>14</b>	<b>-</b>	<b>12,097</b>	<b>12,097</b>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. Council manages this risk by borrowing long term and fixing the interest rate on a 4 year renewal basis. The Finance Unit regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

	2014		2013	
	Weighted Average Interest Rate	Balance \$'000	Weighted Average Interest Rate	Balance \$'000
Overdraft	-	-	-	-
Bank Loans - Fixed	0.0%	-	0.0%	-
- Variable <sup>(1)</sup>	0.0%	-	0.0%	-
		-		-

<sup>(1)</sup> The interest rate risk applicable to Variable Rate Bank Loans is not considered significant.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 16 MATERIAL BUDGET VARIATIONS

Council's Original Financial Budget for 2013/14 was incorporated as part of its Community Strategic Plan and was adopted by the Council on 25 June 2013.

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

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

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

**Note that for Variations: F = Favourable Budget Variation, U = Unfavourable Budget Variation**

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance ----- -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	93,233	93,225	(8)	(0%)	<b>U</b>
<b>User Charges &amp; Fees</b>	36,111	35,525	(586)	(2%)	<b>U</b>
<b>Interest &amp; Investment Revenue</b>	3,403	3,887	484	14%	<b>F</b>
This variance is principally due to the strong performance of Council's investment portfolio which has exceeded the bank bill benchmark return by over 1.36% and higher than anticipated cash balances due to lower than budgeted expenditure on Capital Projects.					
<b>Other Revenues</b>	9,953	11,394	1,441	14%	<b>F</b>
This variance is due to higher income in a range of areas including parking and other fines, legal and insurance claim recoveries, recycling income and waste performance improvement payments.					
<b>Operating Grants &amp; Contributions</b>	7,377	6,320	(1,057)	(14%)	<b>U</b>
This variance is principally due to lower than anticipated Financial Assistance Grant (FAG)					
<b>Capital Grants &amp; Contributions</b>	4,034	4,750	716	18%	<b>F</b>
This variance is principally due to increased grants and contributions for road and traffic works and increased contributions for building improvements.					
<b>Net Gains on the Disposal of Assets</b>	8,394	1,255	(7,139)	(85%)	<b>U</b>
This variance is principally due to the deferral of settlement of the sale of a property at Sturdee and Pacific Parades, Dee Why now anticipated to be completed in June 2015.					
<b>Share of Net Gain - Joint Ventures &amp; Associates</b>	-	-	-	0%	<b>F</b>
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	59,375	58,989	386	1%	<b>F</b>
<b>Borrowing Costs</b>	1,003	945	58	6%	<b>F</b>
<b>Materials &amp; Contracts</b>	51,991	51,160	831	2%	<b>F</b>
<b>Depreciation &amp; Amortisation</b>	15,167	15,079	88	1%	<b>F</b>
<b>Other Expenses</b>	17,956	18,706	(750)	(4%)	<b>U</b>
<b>Share of Net Loss - Joint Ventures &amp; Associates</b>	302	137	165	55%	<b>F</b>
This variance relates to the timing of expenses for the Warringah/Pittwater Rural Fire Service.					

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS**

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council.

All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

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

**SUMMARY OF CONTRIBUTIONS & LEVIES**

PURPOSE	Contributions received during the Year						Projections				
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Traffic Facilities	1,052	-	-	43	(72)	-	1,023	-	(1,023)	-	-
Parking	6,050	-	-	244	-	-	6,294	-	(6,294)	-	-
Open Space	13,198	(27)	-	496	(1,368)	-	12,299	-	(12,299)	-	-
Community Facilities	2,904	9	-	104	(1,088)	-	1,929	-	(1,929)	-	-
Other	2,645	-	-	28	(2,673)	-	-	-	-	-	-
<b>S94 Contributions - under a Plan</b>	<b>25,849</b>	<b>(18)</b>	<b>-</b>	<b>915</b>	<b>(5,201)</b>	<b>-</b>	<b>21,545</b>	<b>-</b>	<b>(21,545)</b>	<b>-</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>4,691</b>	<b>2,170</b>	<b>-</b>	<b>175</b>	<b>(4,237)</b>	<b>-</b>	<b>2,799</b>	<b>10,000</b>	<b>(12,799)</b>	<b>-</b>	<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>30,540</b>	<b>2,152</b>	<b>-</b>	<b>1,090</b>	<b>(9,438)</b>	<b>-</b>	<b>24,344</b>	<b>10,000</b>	<b>(34,344)</b>	<b>-</b>	<b>-</b>
S94 not under Plans	767	-	-	-	(48)	-	719	-	(719)	-	-
<b>Total Contributions</b>	<b>31,307</b>	<b>2,152</b>	<b>-</b>	<b>1,090</b>	<b>(9,486)</b>	<b>-</b>	<b>25,063</b>	<b>10,000</b>	<b>(35,063)</b>	<b>-</b>	<b>-</b>
Less: Land	(716)	-	-	-	-	-	(716)	-	716	-	-
<b>Total Cash Contributions</b>	<b>30,591</b>	<b>2,152</b>	<b>-</b>	<b>1,090</b>	<b>(9,486)</b>	<b>-</b>	<b>24,347</b>	<b>10,000</b>	<b>(34,347)</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS (continued)

\$ '000

## S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Contributions received during the Year					Projections					
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Traffic Facilities	1,052	-	-	43	(72)	-	1,023	-	(1,023)	-	-
Parking	6,050	-	-	244	-	-	6,294	-	(6,294)	-	-
Open Space	13,198	(27)	-	496	(1,368)	-	12,299	-	(12,299)	-	-
Community Facilities	2,904	9	-	104	(1,088)	-	1,929	-	(1,929)	-	-
Other	2,645	-	-	28	(2,673)	-	-	-	-	-	-
<b>Total</b>	<b>25,849</b>	<b>(18)</b>	<b>-</b>	<b>915</b>	<b>(5,201)</b>	<b>-</b>	<b>21,545</b>	<b>-</b>	<b>(21,545)</b>	<b>-</b>	<b>-</b>

## S94A LEVIES - UNDER A PLAN

## CONTRIBUTION PLAN

PURPOSE	Contributions received during the Year					Projections					
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Other	4,691	2,170	-	175	(4,237)	-	2,799	10,000	(12,799)	-	-
<b>Total</b>	<b>4,691</b>	<b>2,170</b>	<b>-</b>	<b>175</b>	<b>(4,237)</b>	<b>-</b>	<b>2,799</b>	<b>10,000</b>	<b>(12,799)</b>	<b>-</b>	<b>-</b>

## S94 LEVIES - NOT UNDER A PLAN

PURPOSE	Contributions received during the Year					Projections					
	Opening Balance	Cash	Non Cash	Interest earned in Year	Exp during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Drainage	-	-	-	-	-	-	-	-	-	-	-
Child Care Reserve-Austlink	48	-	-	-	(48)	-	-	-	-	-	-
Other	3	-	-	-	-	-	3	-	(3)	-	-
Land	716	-	-	-	-	-	716	-	(716)	-	-
<b>Total</b>	<b>767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(48)</b>	<b>-</b>	<b>719</b>	<b>-</b>	<b>(719)</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 18 CONTINGENCIES

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

#### CONTINGENT LIABILITIES

##### 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 Scheme's most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Scheme's 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 *Employee Benefits*. Further contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable. The defined benefit element of the scheme is now closed to new members.

###### (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 Councils 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 30 June this year 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) WorkCover

Council provides bank guarantees to the value of \$1.5 million to secure its self-insurance license for Workers Compensation. The guarantee is provided to WorkCover NSW.

###### (iv) Other Guarantees

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

##### 2. Other Liabilities

###### (i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

###### (ii) S94 and S94A Plans

Council has significant obligations to provide Section 94 and Section 94A infrastructure. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference. (Refer Note 17).

###### (iii) Legal Expenses

Council is ordinarily the planning consent authority for its area under the Environmental Planning & Assessment Act 1979. Pursuant to that Act, certain persons dissatisfied by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice in Class 1 proceedings that parties bear their own legal costs. In class 4 (or judicial review) proceedings, costs usually follow the event.

At the date of these reports, Council had notice of two (2) appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

Council is involved in other litigation (including other Land and Environment Court proceedings, civil liability proceedings and Local Court prosecutions). Whilst these matters are unlikely to cost Council in excess of \$100,000 individually (subject to the comments below), the amount of further costs cannot be known until these proceedings are concluded.

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

Council has classified a number of privately owned land parcels as Local Open Space or Bushland. As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels. At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 18 CONTINGENCIES (Continued)

#### CONTINGENT ASSETS

##### (i) Land Under Roads

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

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

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

There were no current construction certificates on hand awaiting collection.

There is still building activity that may have commenced without proper approval and payment of appropriate fees. However, the number has dropped significantly due to ongoing investigations and monthly audits that were implemented to monitor the possibility of further unlawful works.





## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 19 INTERESTS IN SUBSIDIARIES AND JOINT VENTURES

Council's objectives can and in some cases are best met through the use of separate entities and operations. These operations and entities range from 51% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils. The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Council's interest and control and the type of entity as follows:

**Subsidiary**

Note 19(a)

Operational Arrangements where Council's ownership exceeds 50%

**Joint Venture Entities**

Note 19(b)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under the Joint Venture Entities, Council jointly controls the operations with other parties.

**Accounting Recognition:**

- (i) The subsidiary disclosed under Note 19(a), is accounted for on a Consolidation basis within the Income and Balance Sheet.
- (ii) Joint Venture Entities as per Notes 19(b) are accounted for using the Equity Accounting Method - and are disclosed as a one line entry in the Income Statement and Balance Sheet.

**(a) Subsidiary**

Council is the majority shareholder in Kimbriki Environmental Enterprises Pty Limited. The company commenced operating its waste and recycling business on 1 July 2009 with a lease over the site for a period of 25 years. The minority shareholders in the company are Manly, Mosman and Pittwater Councils.

\$ '000	Notes	Actual 2014	Actual 2013
<b>Current Assets</b>			
Cash and Cash Equivalents		2,042	2,628
Investments		13,805	11,519
Receivables		2,082	1,696
<b>Total Current Assets</b>		<b>17,929</b>	<b>15,843</b>
<b>Non-Current Assets</b>			
Infrastructure, Property, Plant & Equipment		3,592	2,727
Intangibles		2,595	1,991
<b>Total Non-Current Assets</b>		<b>6,187</b>	<b>4,718</b>
<b>Total Assets</b>		<b>24,116</b>	<b>20,561</b>
<b>Current Liabilities</b>			
Payables		3,669	1,869
Provisions		609	563
<b>Total Current Liabilities</b>		<b>4,278</b>	<b>2,432</b>
<b>Non-Current Liabilities</b>			
Payables		2,041	1,020
Provisions		1,365	636
<b>Total Non-Current Liabilities</b>		<b>3,406</b>	<b>1,020</b>
<b>Total Liabilities</b>		<b>7,684</b>	<b>4,088</b>
<b>Net Assets</b>		<b>16,432</b>	<b>16,473</b>
<b>Equity</b>			
Share Capital		10,033	10,033
Retained Earnings		6,399	6,440
<b>Total Equity</b>		<b>16,432</b>	<b>16,473</b>
<b>Share of Subsidiary's revenue, expenses and results</b>			
Revenues		14,192	12,379
Expenses		13,168	11,204
<b>Operating Result</b>		<b>1,024</b>	<b>1,175</b>
<b>Share of Subsidiary's commitments</b>			
Expenditure Commitments		11,527	14,600
Operating Lease Commitments		20,674	20,786
Other Commitments		1,861	2,002
<b>Total Commitments</b>		<b>34,062</b>	<b>37,388</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 19 INTERESTS SUBSIDIARIES AND JOINT VENTURES (continued)

## (b) Joint Venture Entity

Council has a Joint Venture with Pittwater Council for the Warringah - Pittwater District Rural Fire Service.

\$ '000	Notes	Actual 2014	Actual 2013
<b>Current Assets</b>			
Cash and Cash Equivalents		901	1,023
Receivables		-	3
<b>Total Current Assets</b>		<b>901</b>	<b>1,026</b>
<b>Non-Current Assets</b>			
Infrastructure, Property, Plant & Equipment		76	87
<b>Total Non-Current Assets</b>		<b>76</b>	<b>87</b>
<b>Total Assets</b>		<b>977</b>	<b>1,113</b>
<b>Current Liabilities</b>			
Payables		-	-
<b>Total Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>977</b>	<b>1,113</b>
<b>Share of Joint Venture's revenue, expenses and results</b>			
Revenues		714	563
Expenses		851	675
<b>Operating Result</b>		<b>(137)</b>	<b>(113)</b>
<b>Share of Joint Venture's commitments</b>			
Expenditure Commitments		-	-
<b>Total Commitments</b>		<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 20 RETAINED EARNINGS AND REVALUATION RESERVES

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year		2,339,980	2,326,286
Adjustment to correct Prior Period Errors	20 (d)	(1,128)	-
Adjustment for Changes in Accounting Policies	20 (e)	-	-
Net Operating Result for the Year		10,356	13,694
<b>Balance at end of Year</b>		<b>2,349,208</b>	<b>2,339,980</b>
<b>(b) Reserves</b>			
Infrastructure, Property, Plant & Equipment Revaluation Reserve		144,312	144,312
<b>Total</b>		<b>144,312</b>	<b>144,312</b>
<b>Movements</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
Balance at beginning of Year		144,312	110,929
Adjustment to correct Prior Period Errors	20 (d)	-	-
Disposals		-	(111)
Revaluations for the year	9(a)	-	33,494
<b>Balance at end of Year</b>		<b>144,312</b>	<b>144,312</b>
<b>(c) Nature and Purpose of Reserves</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets.			
<b>(d) Correction of Errors in Previous Periods</b>			
Land Tax applicable to the operation of the Waste Landfill at Kimbriki Environmental Enterprises		1,128	-
<b>(e) Changes in Accounting Policies</b>			
There has not been any changes in accounting policies impacting on retained earnings.			

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 21 RESULTS BY FUND**

Council does not have any Water or Sewer Funds.

**NOTE 22 NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

\$'000	Actual 2014	Actual 2013
Land	7,952	7,952
Buildings	373	1,357
<b>Total Non-Current Assets Held for Sale</b>	<b>8,325</b>	<b>9,309</b>

Council has a number of properties which it has made a decision to dispose of. The properties are currently available for sale and are in the process of being actively marketed.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 23 EVENTS OCCURRING AFTER REPORTING DATE**

Events that occur after the reporting date of 30 June 2014, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 06 August 2014.

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

**(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

**(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial reports (and figures therein) do not incorporate any "non- adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

The carbon tax repeal legislation received Royal Assent on 17 July 2014 and the bills as part of that package are law with effect from 1 July 2014. As at 30 June 2014, Council still had a present obligation to meet carbon tax liabilities and therefore no adjusting event has occurred.

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

**NOTE 24 DISCONTINUED OPERATIONS**

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

**NOTE 25 INTANGIBLE ASSETS**

\$ '000	Notes	Actual 2014	Actual 2013
<b>At Cost</b>		2,595	1,991
Accumulated Amortisation & Impairment		-	-
<b>Net Book Amount</b>		<b>2,595</b>	<b>1,991</b>
<b>Movements for the year</b>			
Opening Net Book Amount		1,991	1,840
Additions - internal development		604	151
Amortisation Charge		-	-
<b>Closing Net Book Amount <sup>(1)</sup></b>		<b>2,595</b>	<b>1,991</b>

**Notes:**

<sup>(1)</sup>Development costs relating to gaining planning approvals for the right to build an alternate/advanced waste facility on the Kimbriki site.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 26 REINSTATEMENT, REHABILITATION &amp; RESTORATION LIABILITIES

## ASSET REMEDIATION

Council is required by law to restore the present tip site at Kimbriki to passive open space at the end of its useful life. The projected cost of this restoration is \$191 million based on a Landfill Closure and Post Closure Management Evaluation of Costs Report and has been discounted to its present value at 6% per annum being the risk-free cost of borrowing to Council.

\$ '000	Note	Actual 2014	Actual 2013
At beginning of year		14,495	4,065
Amounts capitalised to Tip asset			
Revised Costs		-	9,610
Amortisation of discount - expensed to borrowing costs		870	820
<b>At end of year</b>		<b>15,365</b>	<b>14,495</b>

## Amount of Expected Reimbursements

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

## Provisions for close down and restoration and for environmental clean-up costs – Tips

## Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The 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 and restoration costs are a normal consequence of tip 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.

Other movements in the provisions for close down and restoration 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.

## Rehabilitation

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 reporting 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 reporting date. These costs are charged to the income statement. Movements in the environmental clean -up provisions are presented as an operating cost, except for the unwinding 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 27 FAIR VALUE MEASUREMENT

The Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

During a reporting period Council will measure non-current assets classified as held for sale at fair value on a non-recurring basis if their carrying amount is higher than their fair value and therefore the assets needs to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell. During the current reporting period, there were no assets measured at fair value on a non-recurring basis.

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

**Fair value hierarchy**

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

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council

2014	Note	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	Total \$'000
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
- At fair value through profit or loss	6	-	1,283	1,283
<b>Investment Properties</b>				
Commercial Office and Retail	14	-	1,800	1,800
<b>Infrastructure, Property, Plant and Equipment</b>				
Plant & Equipment	9	-	5,216	5,216
Office Equipment	9	-	3,428	3,428
Furniture & Fittings	9	-	265	265
Plant & Equipment – Leased	9	-	12	12
Operational Land	9	-	143,464	143,464
Community Land	9	-	1,431,478	1,431,478
Land Under Roads	9	-	1,948	1,948
Land Improvements - Depreciable	9	-	27,185	27,185
Buildings – Non Specialised	9	-	132,089	132,089
Buildings – Specialised	9	-	9,778	9,778
Other Structures	9	-	41,360	41,360
Roads	9	-	306,026	306,026
Bridges	9	-	4,383	4,383
Footpaths	9	-	34,262	34,262
Drainage Infrastructure	9	-	235,466	235,466
Swimming Pools	9	-	18,128	18,128
Other Open Space/Recreational Assets	9	-	31,522	31,522
Library Books	9	-	1,578	1,578
Tip Remediation	9	-	10,230	10,230
Total		-	2,440,901	2,440,901

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 27 FAIR VALUE MEASUREMENT (continued)****Valuation Techniques****Level 3 Measurements****Financial Assets**

Investments - At fair value through profit or loss are represented by Class A notes in the Emerald Reverse Mortgage Series 2006-1. Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. The market for Australian mortgage backed securities, regardless of the robustness of the structure, is highly illiquid as a direct consequence of the global financial crisis. This has caused difficulties in valuing the security as there is limited "price discovery" in the market. At this stage, opportunistic bids for this tranche would be expected in the mid-70c in the dollar area. There has been no change to the valuation process during the reporting period.

**Investment Property**

Council obtains independent valuations of its investment property on an annual basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 3 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis who has experience in the location of the property. The Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2014 the valuation of the investment property was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144. There has been no change to the valuation process during the reporting period.

**Plant & Equipment, Office Equipment and Furniture & Fittings**

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment      Trucks, tractors, jet skis, ride-on mowers, street sweepers, earthmoving equipment, buses and motor vehicles
- Office Equipment        Refrigerators, electronic whiteboards, flat-screen monitors and computer equipment.
- Furniture & Fittings     Chairs, desks and display systems

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

**Plant & Equipment Leased**

Plant & Equipment Leased is valued at cost but is disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The assets within this class are all printers and/or photocopiers.

The key unobservable input to the valuation is the interest rates. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets as well as the remaining term of the lease, present value of the minimum lease payment and interest rates. There has been no change to the valuation process during the reporting period.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 27 FAIR VALUE MEASUREMENT (continued)

#### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

#### Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

#### Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metres rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

#### Land Improvements - Depreciable

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

#### Buildings – Non specialised and Specialised

Buildings were valued by APV Valuers and Asset Management in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

During the financial year Council completed the construction of one specialised building (Brookvale Occasional Care Centre). While the costs were current and the impact of depreciation was negligible, this building has been classified as Level 3 as they were immaterial in relation to the overall value of this asset type. There has been no change to the valuation process during the reporting period.

#### Other Structures

This asset class comprises Boardwalks, Boat ramps, Viewing platforms, Floodlighting Systems, Skate Facilities, Irrigation System, Jetties, Pedestrian bridges, Retaining Walls and Seawalls

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 27 FAIR VALUE MEASUREMENT (continued)****Roads**

This asset class comprises the Road Carriageway, Bus Shelters, Carparks, Guardrails, Kerb and Gutter, Retaining walls, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based on calculations carried out by Fugro P/L in May 2010, utilising the detailed pavement information residing in Council's Pavement Management System - "PARMMS® Road Manager" (PMS). Other Road Infrastructure was valued by Opus International Consultants (NSW) Pty Ltd in June 2010.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

**Bridges**

Bridges were valued by Opus International Consultants (NSW) Pty Ltd in June 2010 using the cost approach. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails

Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

**Footpaths**

Footpaths were valued by Opus International Consultants (NSW) Pty Ltd in June 2010 using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a combination of video condition assessment and physical inspection. Condition information is updated as changes in the network are observed through regular inspections. There has been no change to the valuation process during the reporting period.

**Drainage Infrastructure**

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

**Swimming Pools**

Assets within this class comprise Council's aquatic centre and rockpools. The indoor pool at the aquatic centre was valued by APV Valuers and Asset Management in June 2013 using the cost approach, while the outdoor pools at the aquatic centre and rockpools were valued in-house using the cost approach by experienced Council engineers and asset management staff. The approach estimated the replacement cost for each pool by componentising its significant parts.

Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 27 FAIR VALUE MEASUREMENT (continued)****Other Open Space/Recreational Assets**

Assets within this class comprise Tennis Courts, Synthetic Surfaces, BBQs, Regional Sporting Facilities and Playgrounds. Tennis courts and tennis shelters were valued by APV Valuers and Asset Management (APV) in June 2011 and regional sporting facilities were valued by APV in June 2013. The valuation methodology used by APV for that valuation is the same as that used by APV for Specialised Buildings. All other assets in Other Structures were valued in-house by experienced engineering & asset management staff.

Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

**Library Books**

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

**Tip Remediation**

The Kimbriki Resource Recovery Centre (RRC) is located off Mona Vale Road, at Terrey Hills, in northern Sydney. The RRC encompasses a landfilling operation as well as a wide range of waste disposal services, resource recovery services, recycled and reclaimed products, and waste management educational activities. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

An Evaluation of Costs for Landfill Closure and Post Closure Management was prepared by GHD in June 2013. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

**Reconciliation of Movements**

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

	<b>2014 \$'000</b>
Balance at 1 July	2,429,459
<b>Total gains or losses for the year</b>	
Recognised in profit or loss - realised	1,255
Recognised in profit or loss – unrealised	73
<b>Other movements</b>	
Purchases	26,583
Sales	(2,376)
Depreciation	(15,079)
Transfer from Non-Current Assets Held for Resale	986
Transfers into Level 3	-
Transfers out of Level 3	-
Balance as at 30 June	2,440,901

There are no transfers identified in the table above.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27 FAIR VALUE MEASUREMENT (continued)

Unobservable Inputs and sensitivities

Asset / Liability category	Carrying amount (at fair value) \$'000	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect the fair value
Investments – At fair value through profit or loss	1,283	<ul style="list-style-type: none"> <li>Unit Price</li> </ul>	<ul style="list-style-type: none"> <li>\$0.70 to \$1.00</li> </ul>	Significant changes in the estimated unit price would result in significant changes to fair value measurement.
Investment Property	1,800	<ul style="list-style-type: none"> <li>Estimated rental Value (rate per square metre)</li> <li>Rental Yield</li> </ul>	<ul style="list-style-type: none"> <li>\$3,477 - \$5,413 (per square metre)</li> <li>7.0% - 8.2%</li> </ul>	Significant changes in the estimated rental value or yield would result in significant changes to fair value measurement.
Plant & Equipment, Office Equipment and Furniture & Fittings	8,909	<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>5 to 20 years</li> <li>0% to 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.
Plant & Equipment Leased	12	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from asset to asset</li> <li>8% to 12%</li> </ul>	Significant changes in the gross replacement value or interest rates would result in significant changes to fair value measurement.
Operational Land	143,464	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>\$100 - \$2,000 (per square metre)</li> </ul>	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Community Land	1,431,478	<ul style="list-style-type: none"> <li>Unimproved Capital Value (price per square metre)</li> </ul>	<ul style="list-style-type: none"> <li>\$4 - \$3,242 (per square metre)</li> </ul>	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land Under Roads	1,948	<ul style="list-style-type: none"> <li>Unimproved Capital Value (price per square metre)</li> </ul>	<ul style="list-style-type: none"> <li>\$97 (per square metre)</li> </ul>	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Improvements - depreciable	27,185	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Very poor to excellent</li> <li>25 - 100 years</li> <li>80%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Buildings	141,867	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Very poor to excellent</li> <li>2 - 100 years</li> <li>0% to 80%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Structures	41,360	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Very poor to excellent</li> <li>2 - 100 years</li> <li>0% to 70%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 27 FAIR VALUE MEASUREMENT (continued)

Asset / Liability category	Carrying amount (at fair value) \$'000	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect the fair value
Roads	306,026	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Poor to excellent</li> <li>2 - 100 years</li> <li>0% to 100%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Bridges	4,383	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Poor to excellent</li> <li>25 - 50 years</li> <li>40%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Footpaths	34,262	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Poor to excellent</li> <li>0 - 100 years</li> <li>0% to 50%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Drainage Infrastructure	235,466	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Very poor to excellent</li> <li>0 - 100 years</li> <li>0% to 100%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Swimming Pools	18,128	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Average to excellent</li> <li>10 - 40 years</li> <li>0% to 50%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Open Space/Recreational Assets	31,522	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Poor to excellent</li> <li>5 - 100 years</li> <li>0% to 50%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Library Books	1,578	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</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>Poor to excellent</li> <li>5 to 15 years</li> <li>0% to 10%</li> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Tip Remediation	10,230	<ul style="list-style-type: none"> <li>Discount Rate</li> <li>Cost escalation rate</li> </ul>	<ul style="list-style-type: none"> <li>6%</li> <li>3%</li> </ul>	Significant changes in the discount rate or cost escalation rate would result in significant changes to fair value measurement.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**NOTE 27 FAIR VALUE MEASUREMENT** (continued)

**Transfers between levels of the hierarchy**

The following assets/ liabilities that are measured at fair value on a recurring basis have been subject to a transfer between levels of the hierarchy.

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period.

Transfers from Level 2 to Level 3

<b>Asset/ Liability</b>	<b>\$'000</b>
Nil	

Transfers from Level 3 to Level 2

<b>Asset/ Liability</b>	<b>\$'000</b>
Nil	

**Highest and best use**

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

## GENERAL PURPOSE FINANCIAL STATEMENTS

### INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **general purpose financial statements** of **Warringah Council**, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

#### Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

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

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

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

#### Auditor's Opinion

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
  - (i) have been presented in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

#### HILL ROGERS SPENCER STEER



**BRETT HANGER**  
Partner

Dated at Sydney this 6th day of August 2014

## INDEPENDENT AUDITORS' REPORT

6 August 2014  
 The Mayor  
 Warringah Council  
 Pittwater Road  
 DEE WHY NSW 2099

**Audit Report - Year Ended 30 June 2014**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

**1. RESULTS FOR THE YEAR**
**1.1 Operating Result**

The operating result for the year was a surplus of \$10.356 million as compared with \$13.694 million in the previous year.

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

	2014	% of	2013	% of	Increase
	\$000	Total	\$000	Total (Decrease)	\$000
<b>Revenues before capital items</b>					
Rates & annual charges	93,225	61%	88,201	60%	5,024
User charges, fees & other revenues	43,174	32%	47,490	32%	694
Grants & contributions provided for operating purposes	6,320	4%	7,288	5%	(968)
Interest & investment revenue	3,887	3%	4,437	3%	(550)
	<b>151,606</b>	100%	<b>147,416</b>	100%	<b>4,190</b>
<b>Expenses</b>					
Employee benefits & costs	58,989	41%	55,776	41%	3,213
Materials, contracts & other expenses	70,003	48%	65,758	48%	4,245
Depreciation, amortisation & impairment	15,079	10%	14,127	10%	952
Borrowing costs	945	1%	902	1%	43
	<b>145,016</b>	100%	<b>136,563</b>	100%	<b>8,453</b>
<b>Surplus before capital items</b>	<b>6,590</b>		<b>10,853</b>		<b>(4,263)</b>
Grants & contributions provided for capital purposes	4,750		3,970		780
<b>Surplus before non-controlling interests</b>	<b>11,340</b>		<b>14,823</b>		<b>(3,483)</b>
Attributable to non-controlling interests	(984)		(1,129)		145
<b>Net Surplus for the year</b>	<b>10,356</b>		<b>13,694</b>		<b>(3,338)</b>
<b>Performance Measures</b>	<b>2014</b>		<b>2013</b>		
Operating Performance	3.59%		4.46%		
Own Source Operating Revenue	92.85%		92.32%		

The above table shows an overall decrease of \$3.338 million from the previous year. Other revenue included gains on the disposal of property and plant assets that contributed \$1.255 million to the operating result for the year, compared to \$4.781 million in the previous year.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was 3.59% and exceeded the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 92.85% and exceeded the benchmark of 60%.

**1.2 Funding Result**

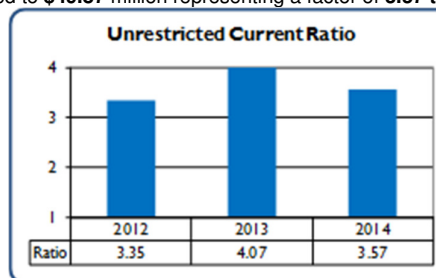
As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

	2014	2013
	\$000	\$000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>10,356</b>	<b>13,694</b>
<b>Add back non funding items:-</b>		
- Depreciation, amortisation & impairment	15,079	14,127
- Book value of non-current assets sold	944	2,824
- (Gain)/Loss of fair value to investment properties	100	200
- (Surplus)/Deficit in joint ventures	137	113
	<b>26,616</b>	<b>30,958</b>
Decrease/Redemption of non-current Investments	4	1,031
Transfers from externally restricted assets (net)	3,944	0
Transfers from internal reserves (net)	0	1,446
Increase in minority interests	532	617
<b>Net Changes in current/non-current assets &amp; liabilities</b>	<b>0</b>	<b>7,396</b>
	<b>31,096</b>	<b>41,448</b>
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(30,718)	(27,008)
Finance lease instalments	(261)	(491)
Transfers to externally restricted assets (net)	0	(1,893)
Transfers to internal reserves (net)	(447)	0
<b>Net Changes in current/non-current assets &amp; liabilities</b>	<b>(870)</b>	<b>0</b>
	<b>(32,296)</b>	<b>(29,392)</b>
<b>Increase/(Decrease) in Available Working Capital</b>	<b>(1,200)</b>	<b>12,056</b>

**2. FINANCIAL POSITION**
**2.1 Unrestricted Current Ratio**

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$49.87 million representing a factor of 3.57 to 1.





INDEPENDENT AUDITORS' REPORT

2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at **\$48.45** million as detailed below;

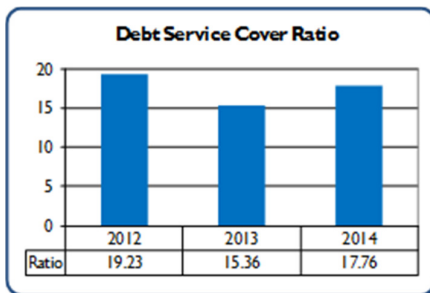
	2014	2013	Change
	\$'000	\$'000	\$'000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>66,812</b>	<b>71,275</b>	<b>(4,463)</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	9,679	10,055	(376)
<b>Adjusted Net Current Assets</b>	<b>76,491</b>	<b>81,330</b>	<b>(4,839)</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	9	261	(252)
- Employees leave entitlements	5,356	5,041	315
- Self insurance claims	216	540	(324)
- Other provisions	31	31	0
- Deposits & retention moneys	1,918	1,515	403
<b>Less:</b> Externally restricted assets	(26,626)	(30,570)	3,944
<b>Less:</b> Internally restricted assets	(8,945)	(8,498)	(447)
<b>Available Working Capital as at 30 June</b>	<b>48,450</b>	<b>49,650</b>	<b>(1,200)</b>

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

2.3 Debt

After repaying principal and interest of **\$336,000**, total debt as at 30 June 2014 stood at **\$13,000** (2013 - **\$274,000**).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 17.76 to 1.



2.4 Summary

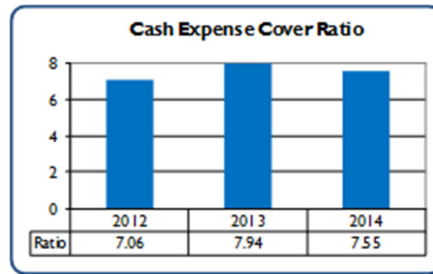
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

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

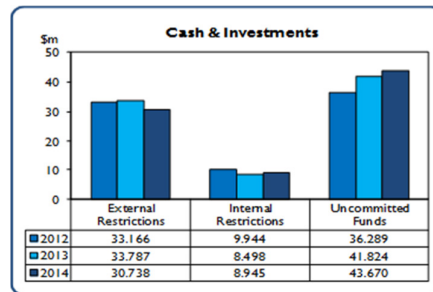
For 2014, this ratio stood at **7.55** months compared to the benchmark of **3**.



3.2 Cash & Investment Securities

Cash and investments amounted **\$83.353** million at 30 June 2014 as compared with **\$84.109** million in 2013 and **\$79.399** million in 2012.

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



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (**\$24.347** million), domestic waste management charges (**\$5.951** million) and specific purpose grants and contributions (**\$440,000**).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled **\$8.945** million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to **\$43.670** million, which is available to provide liquidity for day to day operations and forms the basis of Council's sound financial position.

INDEPENDENT AUDITORS' REPORT

**3.3 Cash Flows**

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by **\$2.954** million to **\$7.265** million at the close of the year.

In addition to operating activities which contributed net cash of **\$28.239** million were the proceeds from the sale of investment securities (**\$117.843** million) and sale of assets (**\$2.199** million). Cash outflows other than operating activities were used to purchase investment securities (**\$113.952** million), pay finance lease instalments (**\$261,000**), pay dividends to minority interests in Kimbriki Environmental Enterprises Pty Limited (**\$452,000**) and to purchase and construct assets (**\$30.662** million).

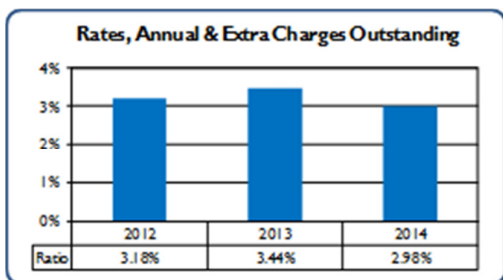
**4. RECEIVABLES**

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

Net rates and annual charges levied during the year totalled **\$93.225** million and represented **60%** of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$95.938 million of which **\$93.501** million (**97%**) was collected.

Arrears of rates, annual and extra charges stood at **\$2.882** million at the end of the year and represented **2.98%** of those receivables.



**4.3 Other Receivables**

Receivables (other than rates & annual charges) totalled **\$5.292** million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to **\$107,000**.

**5. PAYABLES**

**5.1 Self Insurance**

Workers Compensation insurance claims have been actuarially assessed at **\$564,000** (2013 - **750,000**) and a bank guarantee of **\$1.5** million is held to cover these claims as required by the Workcover Authority of NSW.

Public Liability & Professional Indemnity claims payable by Council (ie up to the excess layer) have been actuarially assessed at **\$630,000** (2013 - \$1.037 million) and is fully funded with internally restricted cash and investments.

**5.2 Employees Leave Entitlements**

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to **\$13.468** million. Internally restricted cash and investments of **\$2.578** million was held representing **19%** of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

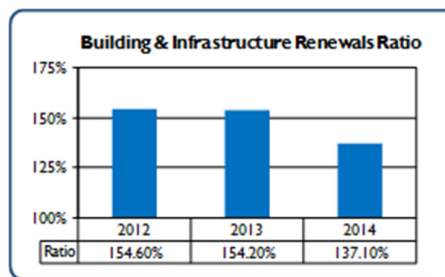
**5.3 Deposits, Retentions & Bonds**

Deposits, retentions and bonds held at year end amounted to \$4.451 million and were fully funded by internally restricted cash and investments.

**6. BUILDING AND INFRASTRUCTURE RENEWALS**

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

Special Schedule No. 7 discloses that asset renewals for 2014 represented **137%** of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



**7. MANAGEMENT LETTER**

An audit management letter addressing the findings from our interim audit was issued on 11 March 2014. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

**8. CONCLUSION**

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit and once again commend management for the early completion and presentation of the financial statements.

Yours faithfully,  
**HILL ROGERS SPENCER STEER**

**BRETT HANGER**  
Partner



**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2014**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

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**CONTENTS**

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	<b>Page</b>
<b>Statement by Councillors &amp; Management</b>	<b>84</b>
<b>Income Statement of Other Business Activities</b>	<b>85</b>
<b>Balance Sheet of Other Business Activities</b>	<b>87</b>
<b>Notes to the Special Purpose Financial Reports</b>	<b>89</b>
<b>Auditor's Report</b>	<b>91</b>

**BACKGROUND**

The Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market particularly between private and public sector competitors. Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

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

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

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2014

**STATEMENT BY COUNCILLORS AND MANAGEMENT**

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

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

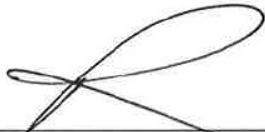
- The NSW Government Policy Statement “Application of National Competition Policy to Local Government”
- Division of Local Government Guidelines “Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality”
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Reports:

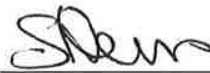
- Present fairly the Operating Result and Financial Position for each of Council’s declared Business Activities for the year, and
- Accord with Council’s accounting and other records.

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

Signed in accordance with a resolution of Council made on 5 August 2014.



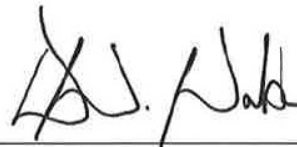
Michael Regan  
MAYOR



Sue Heins  
COUNCILLOR



Rik Hart  
GENERAL MANAGER



David Walsh  
RESPONSIBLE ACCOUNTING OFFICER



## SPECIAL PURPOSE FINANCIAL STATEMENTS

## INCOME STATEMENT OF COUNCIL'S OTHER BUSINESS ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2014

\$ '000	Children Services		Kimbriki	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
Access charges	5,267	4,745	23,755	21,208
User charges	-	-	-	-
Fees	-	-	-	-
Interest	-	-	508	573
Grants and contributions provided for non-capital purposes	451	452	742	714
Profit from the sale of assets	-	-	28	26
Other income	11	26	2,795	1,752
<b>Total income from continuing operations</b>	<b>5,729</b>	<b>5,223</b>	<b>27,828</b>	<b>24,273</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	4,570	4,351	4,002	3,178
Borrowing costs	-	-	-	-
Materials and contracts	953	519	9,785	9,662
Depreciation and impairment	54	173	429	339
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	87	292	11,603	8,790
<b>Total expenses from continuing operations</b>	<b>5,664</b>	<b>5,335</b>	<b>25,819</b>	<b>21,969</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>65</b>	<b>(112)</b>	<b>2,009</b>	<b>2,304</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>65</b>	<b>(112)</b>	<b>2,009</b>	<b>2,304</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>65</b>	<b>(112)</b>	<b>2,009</b>	<b>2,304</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(20)	-	(603)	(691)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>46</b>	<b>(112)</b>	<b>1,406</b>	<b>1,613</b>
plus Opening Retained Profits	3,104	2,700	16,473	15,213
plus/less: Prior Period Adjustments	-	-	(1,128)	-
plus/less: Allocation Adjustments related to IPPE	1,411	516	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	20	-	603	691
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	(923)	(1,044)
<b>Closing Retained Profits</b>	<b>4,580</b>	<b>3,104</b>	<b>16,431</b>	<b>16,473</b>
Return on Capital %	1.3%	-3.3%	55.9%	84.5%
Subsidy from Council	-	112	-	-



## INCOME STATEMENT OF COUNCIL'S OTHER BUSINESS ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2014

	Glen Street Theatre		Construction Certificate Certification	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	-	-	297	222
Fees	772	1,079	-	-
Interest	1	23	-	-
Grants and contributions provided for non -capital purposes	5	1	-	-
Profit from the sale of assets	-	-	-	-
Other income	367	366	-	-
<b>Total income from continuing operations</b>	<b>1,145</b>	<b>1,469</b>	<b>297</b>	<b>222</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	934	976	749	428
Borrowing costs	-	-	-	-
Materials and contracts	658	872	59	10
Depreciation and impairment	103	97	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	110	208	2	1
<b>Total expenses from continuing operations</b>	<b>1,805</b>	<b>2,153</b>	<b>810</b>	<b>439</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(660)</b>	<b>(684)</b>	<b>(513)</b>	<b>(217)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(660)</b>	<b>(684)</b>	<b>(513)</b>	<b>(217)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(660)</b>	<b>(684)</b>	<b>(513)</b>	<b>(217)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(660)</b>	<b>(684)</b>	<b>(513)</b>	<b>(217)</b>
<b>plus Opening Retained Profits</b>	<b>1,723</b>	<b>1,070</b>	<b>-</b>	<b>107</b>
<b>plus/less: Prior Period Adjustments</b>	<b>-</b>	<b>(42)</b>	<b>-</b>	<b>-</b>
<b>plus/less: Allocation Adjustments related to IPPE</b>	<b>2,210</b>	<b>1,379</b>	<b>-</b>	<b>(107)</b>
<b>plus Adjustments for amounts unpaid:</b>				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
<b>add:</b>				
- Subsidy Paid/Contribution To Operations	-	-	513	217
<b>less:</b>				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>3,273</b>	<b>1,723</b>	<b>-</b>	<b>-</b>
Return on Capital %	-6.7%	-8.5%	0.0%	0.0%
Subsidy from Council	660	684	513	217



## SPECIAL PURPOSE FINANCIAL STATEMENTS

## BALANCE SHEET OF COUNCIL'S OTHER BUSINESS ACTIVITIES

AS AT 30 JUNE 2014

	Children Services		Kimbriki	
	Category 1		Category 1	
	Actual	Actual	Actual	Actual
\$ '000	2014	2013	2014	2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	2,042	2,628
Investments	-	-	13,805	11,519
Receivables	-	-	2,082	1,696
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>17,929</b>	<b>15,843</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	4,858	3,382	3,592	2,727
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	2,595	1,991
<b>Total Non-Current Assets</b>	<b>4,858</b>	<b>3,382</b>	<b>6,187</b>	<b>4,718</b>
<b>TOTAL ASSETS</b>	<b>4,858</b>	<b>3,382</b>	<b>24,116</b>	<b>20,561</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	-	-	3,669	1,869
Interest bearing liabilities	-	-	-	-
Provisions	-	-	609	563
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,278</b>	<b>2,432</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	2,042	1,020
Interest bearing liabilities	-	-	-	-
Provisions	-	-	1,365	636
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,407</b>	<b>1,656</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>7,685</b>	<b>4,088</b>
<b>NET ASSETS</b>	<b>4,858</b>	<b>3,382</b>	<b>16,431</b>	<b>16,473</b>
<b>EQUITY</b>				
Retained earnings	4,580	3,104	16,431	16,473
Revaluation reserves	278	278	-	-
Council equity interest	4,858	3,382	16,431	16,473
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>4,858</b>	<b>3,382</b>	<b>16,431</b>	<b>16,473</b>





## SPECIAL PURPOSE FINANCIAL STATEMENTS

## BALANCE SHEET OF COUNCIL'S OTHER BUSINESS ACTIVITIES

AS AT 30 JUNE 2014

	Glen Street Theatre		Construction Certificate Certification	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>\$ '000</b>				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	40	58	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	5	13	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>45</b>	<b>71</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	9,788	8,087	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>9,788</b>	<b>8,087</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>9,833</b>	<b>8,158</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	1,112	987	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,112</b>	<b>987</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,112</b>	<b>987</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	<b>8,721</b>	<b>7,171</b>	<b>-</b>	<b>-</b>
<b>EQUITY</b>				
Retained earnings	3,273	1,723	-	-
Revaluation reserves	5,448	5,448	-	-
Council equity interest	8,721	7,171	-	-
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>8,721</b>	<b>7,171</b>	<b>-</b>	<b>-</b>

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy reporting purposes follows:

These financial statements are a SPFS prepared for use by the Council and Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretation. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis, they are based on historic costs and do not take into account changing money values, or except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described have been imputed for the purposes of the National Competition Policy.

**National Competition Policy**

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the 'Application of National Competition Policy to Local Government'. The 'Pricing & Costing for Council Businesses A Guide to Competitive Neutrality' issued by the Division of Local Government in July 1997 has also been adopted.

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

**Declared Business Activities**

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

**Category 1**

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

**Children's Services** - Child Care and Long Day Care

**Kimbriki Environmental Enterprises Pty Limited** - Domestic & Commercial Waste Management

**Glen Street Theatre** - Council's local Theatre

**Category 2**

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

**Construction Certificate Certification** - Construction Certificate Certification activity of the Urban Development Approval Service (part of Council's Local Approval Service Unit)

**Monetary Amounts**

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

**(i) Taxation Equivalent Charges**

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (Special Purpose Financial Statements) just like all other costs. However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFS. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council nominated business activities (this does not include Council's non-business activities):

**Notional Rate Applied %**

Corporate Income Tax Rate – 30%

Land Tax – The first \$412,000 of combined land values attracts 0%. From \$412,001 to \$2,519,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000 from 1 July 2013 to 30 June 2014.

**Income Tax**

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 30% is the equivalent company tax rate prevalent as at reporting date. No adjustments have been made for variations that have occurred during the year.

**Local Government Rates & Charges**

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

**Loan & Debt Guarantee Fees**

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

**(ii) Subsidies**

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statement of Business Activities.

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

for the financial year ended 30 June 2014

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES****(iii) Return on Investments (Rate of Return)**

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return achieved is disclosed for each of Council's business activities on the Income Statement.

The Rate of Return on Capital is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.54% at 30 June 2014.

**(iv) Dividends**

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

## SPECIAL PURPOSE FINANCIAL STATEMENTS

### INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **special purpose financial statements** of **Warringah Council**, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

#### Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

#### Auditor's Opinion

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

#### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

#### HILL ROGERS SPENCER STEER



**BRETT HANGER**  
Partner

Dated at Sydney this 6th day of August 2014



**SPECIAL SCHEDULES**

**FOR THE YEAR ENDED 30 JUNE 2014**



## SPECIAL SCHEDULES

for the financial year ended 30 June 2014

CONTENTS	PAGE
<b>Special Schedules<sup>1</sup></b>	
Special Schedule No. 1	Net Cost of Services 94
Special Schedule No. 2(a)	Statement of Long Term debt (all purposes) 96
Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993) 97
Special Schedule No. 7	Report on Infrastructure Assets 98
Special Schedule No. 8	Financial Projections 100
Special Schedule No. 9	Permissible Income Calculation 101
	Auditor's Report on Special Schedule No. 9 102

<sup>1</sup> Special Purpose Schedules are not audited, with the exception of Special Schedule 9

### BACKGROUND

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as the:

- NSW Grants Commission
- Australian Bureau of Statistics (ABS),
- Department of Premier & Cabinet, Office of Local Government (OLG).
- Department of Environment, Climate Change and Water (DECCW)

(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 specific service financial activities

**SPECIAL SCHEDULES**

for the financial year ended 30 June 2014

**SPECIAL SCHEDULE NO. 1 - NET COST OF SERVICES**

\$'000	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	Net Cost of Services
<b>FUNCTION OR ACTIVITY</b>				
<b>Governance</b>	2,635	76	-	(2,559)
<b>Administration</b>	19,436	6,333	4,474	(8,629)
<b>Public Order and Safety</b>				
Fire Service Levy, Fire protection, Emergency Services	3,414	-	-	(3,414)
Beach Control	1,715	40	-	(1,675)
Enforcement of Local Govt Regs	1,490	2,948	-	1,458
Animal Control	91	69	-	(22)
Other	-	-	-	-
<b>Total Public Order and Safety</b>	<b>6,710</b>	<b>3,057</b>	<b>-</b>	<b>(3,653)</b>
<b>Health</b>	<b>2,079</b>	<b>233</b>	<b>-</b>	<b>(1,846)</b>
<b>Environment</b>				
Noxious Plants and Insects/ Vermin control	875	125	-	(750)
Other Environmental Protection	8,077	664	-	(7,413)
Solid Waste Management	41,913	44,246	-	2,333
Street Cleaning	818	8	-	(810)
Drainage	710	71	-	(639)
Stormwater Management	775	43	-	(732)
<b>Total Environment</b>	<b>53,168</b>	<b>45,157</b>	<b>-</b>	<b>(8,011)</b>
<b>Community Services and Education</b>				
Administration & Education	3,657	28	-	(3,629)
Social Protection (Welfare)	-	-	-	-
Aged Persons & Disabled	195	94	-	(101)
Children's Services	6,834	6,632	-	(202)
<b>Total Community Services and Education</b>	<b>10,686</b>	<b>6,754</b>	<b>-</b>	<b>(3,932)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	2,542	349	-	(2,193)
Town Planning	7,823	2,183	-	(5,640)
Other Community Amenities	-	-	-	-
<b>Total Housing and Community Amenities</b>	<b>10,365</b>	<b>2,532</b>	<b>-</b>	<b>(7,833)</b>
<b>Water Supplies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sewerage Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## SPECIAL SCHEDULES

for the financial year ended 30 June 2014

## SPECIAL SCHEDULE NO. 1 - NET COST OF SERVICES (continued)

\$'000	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	Net Cost of Services
<b>FUNCTION OR ACTIVITY</b>				
<b>Recreation and Culture</b>				
Public Libraries	6,265	312	276	(5,677)
Community Centres and Halls	1,657	1,123	-	(534)
Performing Arts Venues	2,360	1,144	-	(1,216)
Other Cultural Services	1,701	124	-	(1,577)
Sporting Grounds and Venues	6,217	659	-	(5,558)
Swimming Pools	5,834	2,429	-	(3,405)
Parks and Gardens (Lakes)	4,301	212	-	(4,089)
Other Sport and Recreation	-	-	-	-
<b>Total Recreation and Culture</b>	<b>28,335</b>	<b>6,003</b>	<b>276</b>	<b>(22,056)</b>
<b>Fuel and Energy</b>				
	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	2,314	1,609	-	(705)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Construction</b>	<b>2,314</b>	<b>1,609</b>	<b>-</b>	<b>(705)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	9,037	1,753	-	(7,284)
Bridges on RU - Local	-	-	-	-
<b>Total Transport and Communication</b>	<b>9,037</b>	<b>1,753</b>	<b>-</b>	<b>(7,284)</b>
<b>Economic Affairs</b>				
Other Economic Affairs	114	106	-	(8)
<b>Total Economic Affairs</b>	<b>114</b>	<b>106</b>	<b>-</b>	<b>(8)</b>
<b>TOTALS - FUNCTIONS</b>	<b>144,879</b>	<b>73,613</b>	<b>4,750</b>	<b>(66,516)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>	<b>-</b>	<b>77,993</b>	<b>-</b>	<b>-</b>
<b>Share of interests - joint ventures &amp; associates using the equity method<sup>(1)</sup></b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET OPERATING RESULT FOR YEAR<sup>(1)</sup></b>	<b>145,016</b>	<b>151,606</b>	<b>4,750</b>	<b>11,340</b>

Notes: <sup>(1)</sup> As reported on the Income statement.<sup>(2)</sup> The definition of general purpose income for the purposes of disclosure in Note 2 (a) is the aggregation of specific income items disclosed in Note 3 viz., ordinary rates, general purpose untied grants, interest on (overdue rates and annual charges, internally restricted assets and general council cash and investments) and ex-gratia rates.



**SPECIAL SCHEDULES**

for the year ended 30 June 2014

**SPECIAL SCHEDULE NO. 2(a) - STATEMENT OF LONG TERM DEBT (ALL PURPOSE)**

\$'000	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non -Current	Total
<b>Classification of Debt</b>											
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	261	13	274	-	261	-	-	75	9	4	13
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>261</b>	<b>13</b>	<b>274</b>	<b>-</b>	<b>261</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>9</b>	<b>4</b>	<b>13</b>
<b>Total Debt</b>	<b>261</b>	<b>13</b>	<b>274</b>	<b>-</b>	<b>261</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>9</b>	<b>4</b>	<b>13</b>

**Note:**

Excludes Internal Loans and refinancing except for any additional borrowings. This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFS's).

**SPECIAL SCHEDULES**

for the year ended 30 June 2014

**SPECIAL SCHEDULE NO. 2(b) - STATEMENT OF INTERNAL LOANS (Section 410(3) LGA 1993)**

\$'000

**Summary of Internal Loans**

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	-	-	-
Domestic Waste Management	-	-	-
Other	-	-	-
<b>Totals</b>	-	-	-

**Note:**

The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

**Details of Individual Internal Loans**

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Letter	Date Raised	Term (years)	Dates of maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Principal and Interest)	Principal Outstanding at end of year
							-	-	-
<b>Totals</b>							-	-	-



**SPECIAL SCHEDULES**

as at 30 June 2014

**SPECIAL SCHEDULE NO. 7 - REPORT ON INFRASTRUCTURE ASSETS**

Asset Class	Asset Condition	Estimated cost to bring to a satisfactory standard \$'000	Required Annual Maintenance \$'000	2013/14 Actual Maintenance \$'000	Written Down Value (WDV) \$'000	Assets in Condition as a % of WDV*				
						1	2	3	4	5
<b>Buildings</b>	Excellent	-	450	453	81,677	57.6%				
	Good	-	920	941	52,910		37.3%			
	Average	3,867	200	232	6,897			4.9%		
	Poor	143	35	40	87				0.1%	
	Very Poor	105	-	1	298					0.2%
		<b>4,115</b>	<b>1,605</b>	<b>1,667</b>	<b>141,869</b>	<b>57.6%</b>	<b>37.3%</b>	<b>4.9%</b>	<b>0.1%</b>	<b>0.2%</b>
<b>Public Roads</b>	Excellent	-	695	702	155,606	45.2%				
	Good	-	1,250	1,255	144,368		41.9%			
	Average	2,906	720	733	40,956			11.9%		
	Poor	946	245	253	3,741				1.1%	
	Very Poor	-	-	-	-					0.0%
		<b>3,852</b>	<b>2,910</b>	<b>2,943</b>	<b>344,671</b>	<b>45.2%</b>	<b>41.9%</b>	<b>11.9%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Other Structures</b>	Excellent	-	55	54	12,488	30.2%				
	Good	-	160	155	21,911		53.0%			
	Average	775	582	566	6,111			14.8%		
	Poor	189	181	176	802				1.9%	
	Very Poor	53	11	10	47					0.1%
		<b>1,017</b>	<b>989</b>	<b>961</b>	<b>41,359</b>	<b>30.2%</b>	<b>53.0%</b>	<b>14.8%</b>	<b>1.9%</b>	<b>0.1%</b>
<b>Drainage Works</b>	Excellent	-	23	25	35,759	15.3%				
	Good	-	730	790	173,695		74.2%			
	Average	3,789	234	253	21,939			9.4%		
	Poor	1,549	11	12	1,910				0.8%	
	Very Poor	1,858	2	2	839					0.4%
		<b>7,196</b>	<b>1,000</b>	<b>1,082</b>	<b>234,142</b>	<b>15.3%</b>	<b>74.2%</b>	<b>9.4%</b>	<b>0.8%</b>	<b>0.4%</b>
<b>Open Space/ Recreational Assets</b>	Excellent	-	61	66	36,141	72.8%				
	Good	-	464	483	8,916		18.0%			
	Average	457	161	157	3,211			6.5%		
	Poor	366	49	48	1,377				2.8%	
	Very Poor	18	2	2	6					0.0%
		<b>841</b>	<b>737</b>	<b>756</b>	<b>49,651</b>	<b>72.8%</b>	<b>18.0%</b>	<b>6.5%</b>	<b>2.8%</b>	<b>0.0%</b>
<b>Total Classes</b>	<b>Total - All Assets</b>	<b>17,021</b>	<b>7,241</b>	<b>7,409</b>	<b>811,691</b>					

**Infrastructure Asset Condition Assessment**

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

**SPECIAL SCHEDULES**

as at 30 June 2014

**SPECIAL SCHEDULE NO. 7 - REPORT ON INFRASTRUCTURE ASSETS****Infrastructure Asset Performance Indicators – Consolidated**

	2014 \$'000	----- Indicator -----		
		2014	2013	2012
<b>Building and infrastructure renewals ratio</b>				
Asset renewals (building and infrastructure)	<b>13,861</b>	137.10%	154.20%	154.60%
Depreciation, amortisation and impairment (building and infrastructure)	<b>10,110</b>			
<b>Infrastructure backlog</b>				
Estimated cost to bring assets to a satisfactory condition	<b>17,021</b>	2.10%	2.05%	2.37%
Total value * of infrastructure, building, other structures and depreciable land improvement assets	<b>811,691</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>7,409</b>	102.32%	109.35%	97.34%
Required asset maintenance	<b>7,241</b>			
<b>Capital expenditure ratio</b>				
Annual capital expenditure	<b>29,774</b>	197.45%	239.22%	202.59%
Annual depreciation	<b>15,079</b>			

**Note**

\*Written down value

**SPECIAL SCHEDULES**

for the financial year ended 30 June 2014

**SPECIAL SCHEDULE NO. 8 - FINANCIAL PROJECTIONS**

\$ '000	Actual <sup>(1)</sup> 2014	Forecast 2015	Forecast 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023	Forecast 2024
<b>OPERATING BUDGET</b>											
Income from continuing operations	156,356	167,068	181,597	178,132	192,801	199,767	206,801	212,249	218,473	224,816	231,464
Expenses from continuing operations	145,016	159,793	165,795	170,967	186,602	192,872	199,204	204,502	211,494	218,401	225,715
<b>Operating Result from Continuing Operations</b>	<b>11,340</b>	<b>7,275</b>	<b>15,802</b>	<b>7,164</b>	<b>6,199</b>	<b>6,895</b>	<b>7,597</b>	<b>7,747</b>	<b>6,980</b>	<b>6,415</b>	<b>5,749</b>
<b>CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	13,596	17,491	27,073	16,199	14,476	6,600	6,759	6,928	7,107	7,284	7,462
Replacement/Refurbishment of Existing Assets	16,518	22,825	26,273	18,651	20,020	20,660	21,157	21,686	22,248	22,800	23,358
<b>Total Capital Budget</b>	<b>30,114</b>	<b>40,316</b>	<b>53,347</b>	<b>34,850</b>	<b>34,496</b>	<b>27,260</b>	<b>27,916</b>	<b>28,614</b>	<b>29,355</b>	<b>30,084</b>	<b>30,820</b>
<b>Funded by:</b>											
– Loans	-	2,565	6,685	-	-	-	-	-	-	-	-
– Asset sales	1,595	1,948	1,956	1,965	1,973	1,981	1,989	1,997	2,006	2,015	2,024
– Reserves	14,439	13,484	2,732	10,987	10,741	1,600	1,639	1,679	1,723	1,766	1,809
– Grants/Contributions	2,575	1,593	1,376	1,384	1,367	-	-	-	-	-	-
– Recurrent revenue	2,681	3,606	24,391	6,292	5,650	5,000	5,120	5,248	5,384	5,518	5,653
– Other	8,824	17,119	16,206	14,222	14,765	18,679	19,168	19,689	20,242	20,785	21,334
	<b>30,114</b>	<b>40,316</b>	<b>53,347</b>	<b>34,850</b>	<b>34,496</b>	<b>27,260</b>	<b>27,916</b>	<b>28,614</b>	<b>29,355</b>	<b>30,084</b>	<b>30,820</b>

**Notes:**<sup>(1)</sup> From 2013/2014 Income Statement.<sup>(2)</sup> New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

**SPECIAL SCHEDULES**

for the financial year ended 30 June 2014

**SPECIAL SCHEDULE NO. 9 - PERMISSIBLE INCOME FOR GENERAL RATES**

\$ '000	2013/14 Calculation	2014/15 Calculation
<b>NOTIONAL GENERAL INCOME CALCULATION <sup>(1)</sup></b>		
Last Year Notional Income Yield	71,463	73,972
Plus/Minus adjustments <sup>(2)</sup>	75	55
<b>Notional General Income</b>	<b>71,538</b>	<b>74,027</b>
<b>PERMISSIBLE INCOME CALCULATION</b>		
Special Variation <sup>(3)</sup>	0.00%	3.10%
OR Rate Peg	3.40%	2.30%
OR Crown Land Adjustment including Rate Peg	-	-
Less Expiring Special Variations Amount	-	-
Plus: Special Variation Amount	-	2,295
OR Plus Rate Peg Amount	2,432	-
OR Plus Crown Land Adjustment and Rate Peg Amount	-	-
<b>Sub total</b>	<b>73,970</b>	<b>76,322</b>
Plus or minus Last year's Carry Forward Total	2	-
Less Valuation Objections claimed in previous year	-	-
<b>Sub total</b>	<b>2</b>	<b>-</b>
<b>TOTAL PERMISSIBLE INCOME</b>	<b>73,972</b>	<b>76,322</b>
Less Notional Income Yield	(73,972)	(76,322)
Catch up or (excess) result	-	-
Plus Income lost due to valuation objections claimed <sup>(4)</sup>	-	-
Less Unused Catch up <sup>(5)</sup>	-	-
Carry forward to next year	-	-

1. The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

2. Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the *Valuation of Land Act 1916*.


3. The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.

4. Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.

5. Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

**SPECIAL SCHEDULE NO. 9****INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED 30 JUNE 2014

<p><b>REPORT ON SPECIAL SCHEDULE NO. 9</b></p> <p>We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Warringah Council for the year ending 30 June 2015.</p> <p><b>Responsibility of Council for Special Schedule No. 9</b></p> <p>The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.</p> <p><b>Auditors' Responsibility</b></p> <p>Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.</p> <p>Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.</p> <p>In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.</p> <p><b>Independence</b></p> <p>In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.</p>	<p><b>Audit Opinion</b></p> <p>In our opinion, Special Schedule No. 9 of Warringah Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.</p> <p><b>Basis of Accounting</b></p> <p>Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.</p> <p><b>HILL ROGERS SPENCER STEER</b></p>  <p><b>BRETT HANGER</b> Partner</p> <p>Dated at Sydney this 6th day of August 2014</p>
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