



# **GENERAL PURPOSE AND SPECIAL PURPOSE FINANCIAL REPORTS**

*For former Warringah Council*

**For the period ended 12 May 2016**

**NORTHERN BEACHES  
COUNCIL**

[northernbeaches.nsw.gov.au](http://northernbeaches.nsw.gov.au)

## The former Warringah Council

### FINANCIAL COMMENTARY 2015/16

#### INTRODUCTION

This commentary provides the highlights of Council's 2015/16 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 24(b)). The Financial Statements are made up of the following:

- General Purpose Financial Statements – pages 12 to 80
- Special Purpose Financial Statements – pages 81 to 90
- Special Schedules – pages 91 to 98

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

#### 2015/16 SUMMARY RESULTS

• Total Income from Continuing Operations	\$179.009m
• Total Expenses from Continuing Operations	\$138.695m
• Net Operating Surplus for the period	\$40.314m
• Net Operating Surplus for the period before Capital Grants and Contributions	\$29.681m

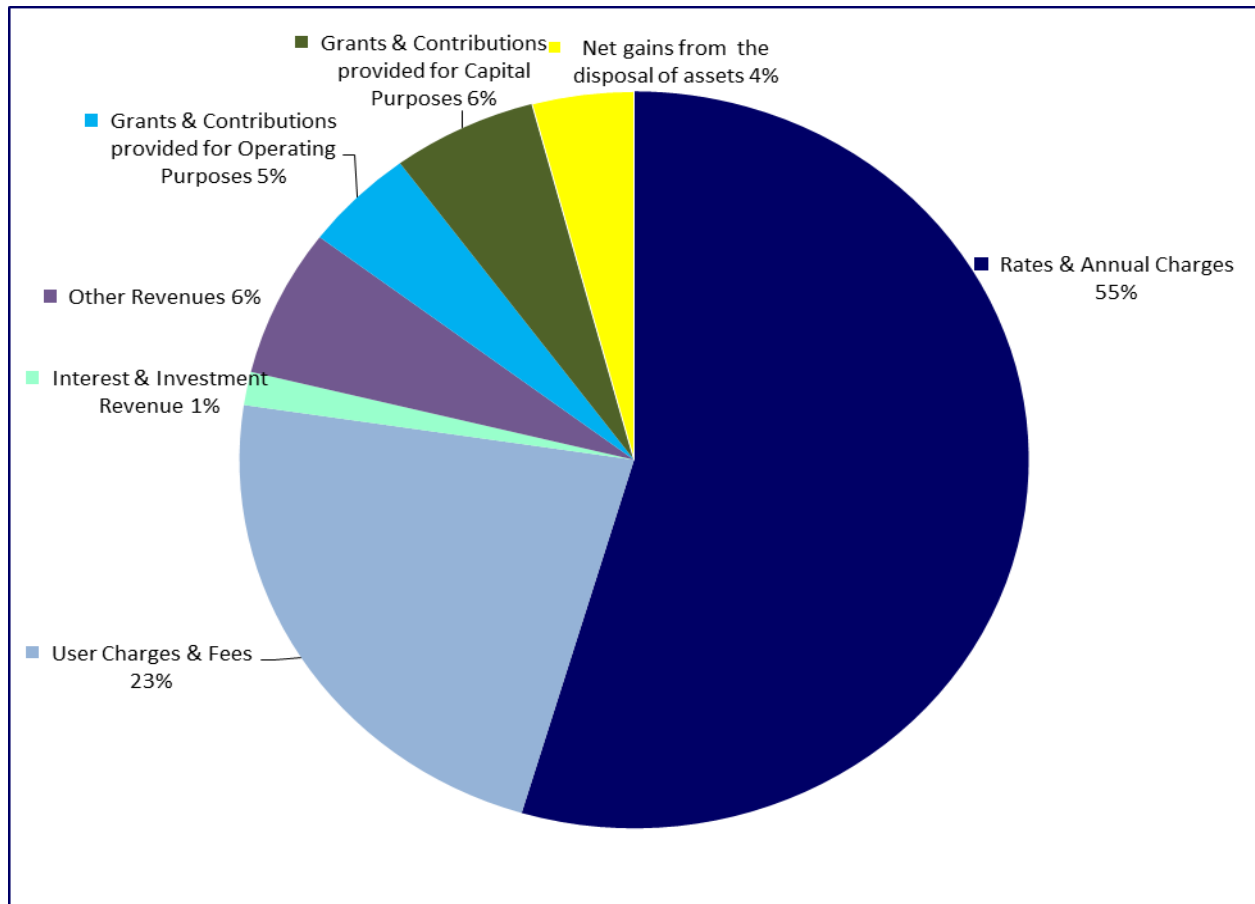
• New Capital Works	\$18.291m
• Capital Renewal Works	\$14.505m
• Total Capital Expenditure	\$32.796m

• Total Assets	\$2.985b
• Total Liabilities	\$59.384m
• Net Assets	\$2.926b

• Unrestricted Current Ratio	3.78x
• Debt Service Cover Ratio	43.54x
• Building & Infrastructure Renewals Ratio	105.55%

## The former Warringah Council

## INCOME FROM CONTINUING OPERATIONS



Income Item	1 July 2015 - 12 May 2016	1 July 2015 - 12 May 2016	\$ Variance
	Actual (\$'000)	Budget (\$'000)	
Rates & Annual Charges	97,741	97,676	65
User Charges & Fees	40,774	37,973	2,801
Interest & Investment Revenue	2,613	2,179	434
Other Revenues	11,613	9,814	1,799
Grants & Contributions provided for Operating Purposes	8,174	6,949	1,225
Grants & Contributions provided for Capital Purposes	10,633	3,507	7,126
Net gains from the disposal of assets	7,462	8,071	(609)
<b>Total Income from Continuing Operations</b>	<b>179,009</b>	<b>166,169</b>	<b>12,840</b>

## The former Warringah Council

### Rates & Annual Charges

On an annualised basis Rates Income increased by a total of 3.3%, taking account of the approved rate increase of 3.0%, as well as an increase in the number of residential properties from 52,706 to 52,936 and an increase in the number of business properties from 4,045 to 4,055.

Annual Charges which is predominantly represented by domestic waste charges increased by 8.4%. 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 Recovery Centre.

### User Charges & Fees

User Charges & Fees have increased by 12.1% which is 7.4% higher than expected. The principal increase was within Kimbriki Environmental Enterprises as a result of the higher volumes principally in the demolition and green waste categories. Excluding Kimbriki the increase was 5.8%. These increases occurred in Compliance as a result of higher pay and display parking revenue, in Development Assessments from higher development related fees, in Information and Library Services from printing and scanning fees and in Roads & Traffic due to higher road user permit applications.

### Interest & Investment Revenues

Council's Cash and Investments at the end of the financial period totalled \$96.189m (2015 \$84.528m). On an annualised basis Interest & Investment Revenues were 8.7% lower than the previous financial year. The lower Interest & Investment Revenues reflects the lower interest rates offered in the Australian market during the past 12 months. Council's investment portfolio continued to perform strongly over the past financial period and exceeded the bank bill benchmark return by over 0.63%.

### Other Revenues

On an annualised basis Other Revenues have decreased by 19.8% which is principally due to higher lease income, higher other fines, the carbon tax refund within Waste Services and higher bus shelter advertising income within Roads & Traffic.

### Grants & Contributions provided for Operating Purposes

On an annualised basis Grants & Contributions provided for Operating Purposes decreased by 0.7% on the previous financial year. This was largely due to lower Pensioner Rebates Subsidies and a decrease within Children's Services for reduced salary grants due to lower utilisation within Inclusion Support.

### Grants & Contributions provided for Capital Purposes

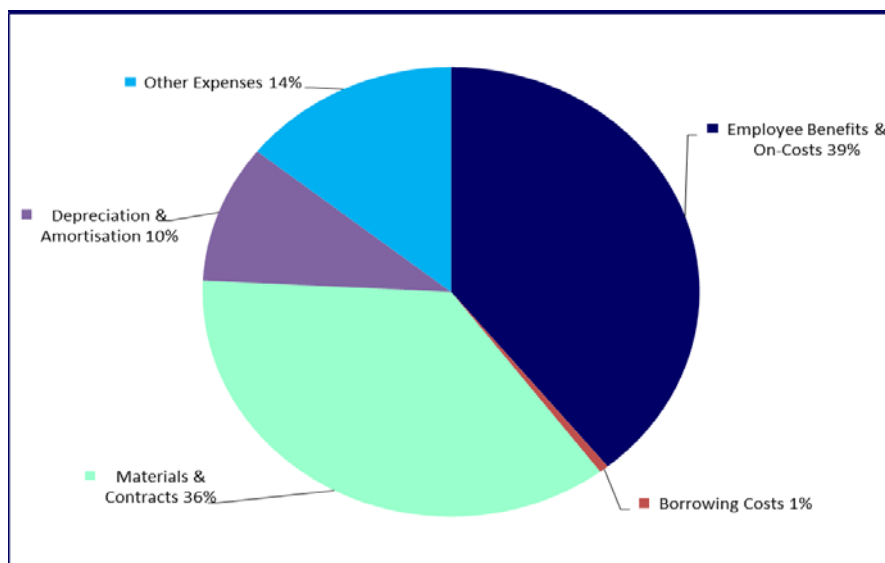
On an annualised basis Grants & Contributions provided for Capital Purposes decreased by 14.5% on the previous financial year. This was principally the result of the transfer of land to Council by Crown Lands at fair value in the previous financial year which has been partially offset by slightly higher s94A developer contributions.

### Net gains from the disposal of assets

Net gains from the disposal of assets are significantly higher than the previous financial year as a result of the sale of 23-29 Pacific Parade Dee Why.

## The former Warringah Council

## EXPENSES FROM CONTINUING OPERATIONS



Expense Item	1 July 2015 - 12 May 2016 Actual (\$'000)	1 July 2015 - 12 May 2016 Budget (\$'000)	\$ Variance
Employee Benefits & On-Costs	54,292	55,714	1,422
Borrowing Costs	846	1,183	337
Materials & Contracts	50,004	51,522	1,518
Depreciation & Amortisation	13,782	13,926	144
Other Expenses	19,771	18,355	(1,416)
Entities using the Equity Method	-	-	-
<b>Total Income from Continuing Operations</b>	<b>138,695</b>	<b>140,700</b>	<b>2,005</b>

**Employee Benefits & On-Costs**

On an annualised basis Employee Benefits & On-Costs have increased 0.6% on the previous financial year. Annual industry award based increases of 2.7% from 1 July 2015 and award step increases of 0.2% were offset by savings from not filling vacant positions.

**Borrowing Costs**

On an annualised basis Borrowing Costs have increased by 2.8% on the previous financial year. This increase relates to the amortisation of discount of remediation liabilities for the Kimbriki waste landfill. Borrowing costs are lower than budget due to the proposed loan for the construction of access road infrastructure at the waste landfill site at Kimbriki not proceeding.

**Materials & Contracts**

On an annualised basis Materials & Contracts have increased by 2.1% on the previous financial year which is largely in line with local government cost index.

**Depreciation & Amortisation**

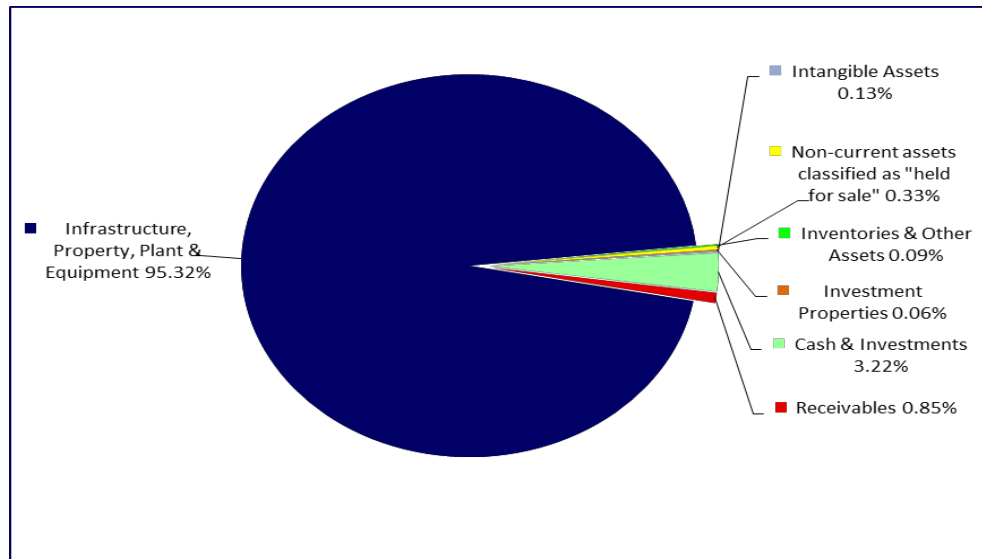
On an annualised basis Depreciation and Amortisation has risen by 1.7% which is largely in line with budget. The higher depreciation and amortisation reflects the higher capital expenditure program over recent years.

**Other Expenses**

On an annualised basis Other Expenses have increased by 11.8% on the previous financial year. These increases are related to increases in waste levy charges in Kimbriki Environmental Enterprises. Excluding these increases there was an increase of 3.4%.

## The former Warringah Council

## ASSETS



Asset Items	12 May 2016 Actual (\$'000)	30 June 2015 Actual (\$'000)	% Variance
<b>Current Assets</b>			
Cash & Cash Equivalents	3,930	5,988	(34.37)%
Investments	91,180	77,382	17.83%
Receivables	24,825	9,351	165.48%
Inventories	1,979	889	122.61%
Other	567	979	(42.08)%
Non-current assets classified as "held for sale"	9,707	8,149	19.12%
<b>Total Current Assets</b>	<b>132,188</b>	<b>102,738</b>	<b>28.67%</b>
<b>Non Current Assets</b>			
Investments	1,079	1,158	(6.82)%
Receivables	589	565	4.25%
Infrastructure, Property, Plant & Equipment	2,846,073	2,814,488	1.12%
Investments accounted for using the equity method	-	-	-
Investment Property	1,900	1,825	4.11%
Intangible Assets	3,963	3,403	16.46%
<b>Total Non Current Assets</b>	<b>2,853,604</b>	<b>2,821,439</b>	<b>1.14%</b>
<b>TOTAL ASSETS</b>	<b>2,985,792</b>	<b>2,924,177</b>	<b>2.11%</b>



## The former Warringah Council

### ASSETS

#### Cash, Cash Equivalents and Investments

Cash, Cash Equivalents and Investments have decreased by \$11.661m (13.8%) to \$96.189m. The increase is higher than expected principally due to higher than anticipated Grants and Contributions and minor delays in the Capital Works Program.

#### Receivables

Receivables have increased by \$15.498 m (156.3%) to \$25.414m. Receivables related to Rates and Annual Charges have increased by \$15.510m as a result of the final instalment of the 2015/16 Rates Levy occurring after balance date.

#### Inventories

Inventories have increased by \$1.090m to \$1.979m. This principally relates to Stockpiles of excavated rock which will be used in the future for landfill cover material in Kimbriki Environmental Enterprises Pty Ltd. It is carried at cost, measured using the weighted average cost of acquisition, excavation and preparation.

#### Other

Other Assets are represented by Prepayments which decreased by \$0.412m to \$0.567m principally due to the timing of invoicing by suppliers.

#### Non-current assets “held for sale”

Assets held for resale increased by \$1.558m to \$9.707m as a result of the RMS Compulsory Acquisition of Council Land at Warringah Road Frenchs Forest relating to the Northern Beaches Hospital Upgrade Works offset by the sale of 23-29 Pacific Parade Dee Why.

#### Infrastructure, Property, Plant and Equipment

Infrastructure, Property, Plant and Equipment increased by \$31.585m to \$2,846.1m. The principal components of this increase were the revaluation of community land assets and land under roads by \$15.928m and capital works of \$32.796m offset by depreciation charges of \$13.782m.

#### Investment Property

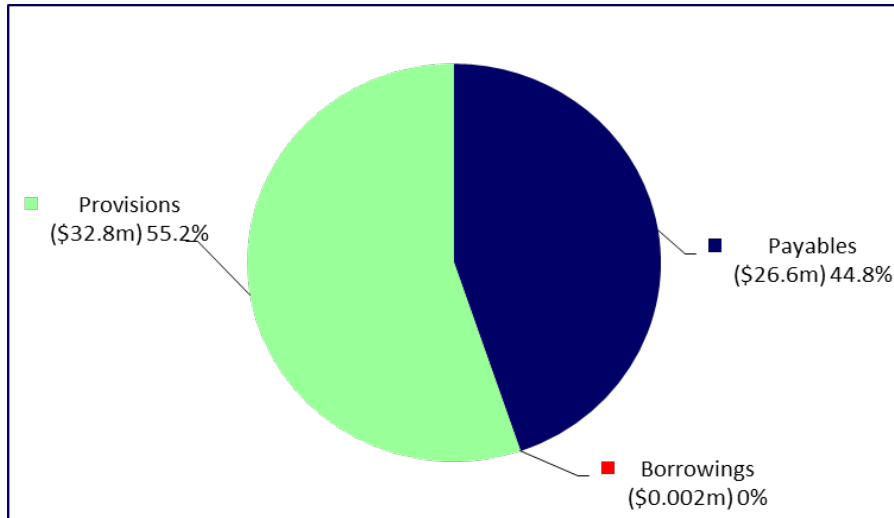
Investment property increased in value by \$0.075m to \$1.9m. This represented the net gain from a fair value adjustment to 521 Pittwater Road Brookvale.

#### Intangible Assets

Intangible assets increased by \$0.560m to \$3.963m. This relates to development and other costs for gaining planning approvals for the right to build an alternate/advanced waste facility on the Kimbriki site.

## The former Warringah Council

## LIABILITIES



Liability Items	12 May 2016 Actual (\$'000)	30 June 2015 Actual (\$'000)	% Variance
<b>Current Liabilities</b>			
Payables	26,596	19,791	34.38%
Borrowings	2	3	(33.33)%
Provisions	13,292	13,394	(0.76)%
<b>Total Current Liabilities</b>	<b>39,890</b>	<b>33,188</b>	<b>20.19%</b>
<b>Non Current Liabilities</b>			
Payables	-	-	-
Borrowings	-	2	(100.00)%
Provisions	19,494	20,040	(2.72)%
<b>Total Non Current Liabilities</b>	<b>19,494</b>	<b>20,042</b>	<b>(2.73)%</b>
<b>TOTAL LIABILITIES</b>	<b>59,384</b>	<b>53,230</b>	<b>11.56%</b>

**Payables**

Payables increased by \$6.805m to \$26.596m. The components were increases Accounts Payable for Goods and Services of \$3.290m, Payments Received in Advance of \$2.149m, Deposits and Retentions of \$1.493m and Other Accrued Expenses of \$1.101m which were partially offset by decreases in Accrued Expenses for Salaries and Wages of \$0.731m and Other Payables of \$0.497m.

**Borrowings**

Borrowings decreased by \$0.005m to \$0.002m. Council has minimal borrowings represented by finance leases for information technology equipment

**Provisions**

Provisions increased by \$0.648m to \$32.786m. The decreases in the provisions relate to Employee Benefits of \$0.004m to \$14.078m and Self Insurance of \$0.124m to \$1.699m and Carbon Tax of \$1.366m offset by an increase of \$0.846m for the remediation of the Waste Landfill Site at Kimbriki to \$17.133m.



## The former Warringah Council

### KEY PERFORMANCE INDICATORS

	2016	2015	2014
Operating Performance	13.89%	3.68%	3.59%
Own Source Operating Revenue	89.03%	86.80%	92.85%
Unrestricted Current Ratio	3.78x	3.43x	3.57x
Debt Service Cover Ratio	43.54x	23.53x	17.76x
Rates & Annual Charges Outstanding Percentage	18.41%	3.04%	2.98%
Cash Expenses Cover Ratio	9.16 months	7.15 months	7.55 months
Buildings & Infrastructure Renewals Ratio	105.55%	150.12%	137.10%
Infrastructure Backlog	0.19%	0.92%	2.10%
Asset Maintenance Ratio	101.94%	104.17%	102.32%
Cost to bring to agreed service level	0.51%	N/A	N/A

#### 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 3.78 is an increase on last year's ratio of 3.43 principally due to the inclusion of the fourth rates instalment for the 2015/16 rating year at balance date. 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 43.54x reflects a small number of finance leases as the only form of borrowing.

## The former Warringah Council

### 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. The increase in the ratio relates to the inclusion of the fourth rates instalment for the 2015/16 rating year at balance date.

### 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 9.16 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 130.9% 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 Indicator has now reduced to 0.19% below the benchmark of 2% indicating 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 101.94% indicates that the level of expenditure on the maintenance of infrastructure assets is sufficient to prevent the infrastructure backlog from growing.

### Cost to bring assets to agreed service level (not mandatory for 2015–16)

This ratio indicates the proportion of the gross replacement cost of Council assets that have reached the intervention level set by Council based on the condition of the asset. This ratio is simply the sum of the outstanding renewal works, valued as the work will be undertaken, compared to the total replacement cost of Council's assets.

This ratio provides a meaningful snapshot of the proportion of outstanding renewal works compared to the total suite of assets that Council has under its care and stewardship. The use of the gross replacement cost as the denominator in this ratio provides a more stable measure over time and is easier for Councils to calculate with greater consistency year to year. Council's ratio of 0.51% indicates that the cost to bring assets to agreed service level are at a financially sustainable level.

## The former Warringah Council

## HISTORICAL INFORMATION

## INCOME STATEMENT

	1 July 2015 to 12 May 2016	1 July 2014 to 30 June 2015	1 July 2013 to 30 June 2014	1 July 2012 to 30 June 2013	1 July 2011 to 30 June 2012
<b>\$ '000</b>					
<b>INCOME FROM CONTINUING OPERATIONS</b>					
<b>Revenue:</b>					
Rates & Annual Charges	97,741	96,578	93,225	88,201	83,119
User Charges & Fees	40,774	42,004	35,525	32,301	31,792
Interest & Investment Revenue	2,613	3,305	3,887	4,437	5,329
Other Revenues	11,613	11,198	11,394	10,408	9,356
Grants & Contributions provided for Operating Purposes	8,173	8,912	6,320	7,288	8,677
Grants & Contributions provided for Capital Purposes	10,633	14,361	4,750	3,970	4,160
<b>Other Income:</b>					
Net gains from the disposal of assets	7,462	1,777	1,255	4,781	205
Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	-	-	-	-	377
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>	<b>179,009</b>	<b>178,135</b>	<b>156,356</b>	<b>151,386</b>	<b>143,015</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee Benefits & On-Costs	54,292	62,366	58,989	55,776	54,434
Borrowing Costs	846	951	945	902	312
Materials & Contracts	50,004	56,594	51,160	48,002	49,522
Depreciation & Amortisation	13,782	15,653	15,079	14,127	13,880
Impairment	-	-	-	-	-
Other Expenses	19,771	20,422	18,843	17,644	16,129
Interest & Investment Losses	-	-	-	-	-
Net Losses from the Disposal of Assets	-	-	-	-	-
Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	-	-	-	113	-
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>	<b>138,695</b>	<b>155,986</b>	<b>145,016</b>	<b>136,564</b>	<b>134,277</b>
<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>	<b>40,314</b>	<b>22,149</b>	<b>11,340</b>	<b>14,822</b>	<b>8,738</b>
<b>DISCONTINUED OPERATIONS</b>					
Net Profit/(Loss) from Discontinued Operations	-	-	-	-	-
<b>NET OPERATING RESULT FOR THE YEAR</b>	<b>40,314</b>	<b>22,149</b>	<b>11,340</b>	<b>14,822</b>	<b>8,738</b>
Attributable to:					
- Council	38,588	20,197	10,356	13,694	7,459
- Non-controlling Interests	1,726	1,952	984	1,129	1,279
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>29,681</b>	<b>7,788</b>	<b>6,590</b>	<b>10,852</b>	<b>4,578</b>

## The former Warringah Council

## STATEMENT OF FINANCIAL POSITION

\$ '000	12 May 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash & Cash Equivalents	3,930	5,988	7,265	4,311	6,544
Investments	91,180	77,382	72,805	76,511	68,537
Receivables	24,825	9,351	7,548	6,922	6,584
Inventories	1,979	889	78	93	96
Other	567	979	1,253	1,180	1,037
Non-current assets classified as "held for sale"	9,707	8,149	8,325	9,309	2,944
<b>Total Current Assets</b>	<b>132,188</b>	<b>102,738</b>	<b>97,274</b>	<b>98,326</b>	<b>85,742</b>
<b>Non-Current Assets</b>					
Investments	1,079	1,158	3,283	3,287	4,318
Receivables	589	565	519	515	497
Inventories	-	-	-	-	-
Infrastructure, Property, Plant & Equipment	2,846,073	2,814,488	2,444,815	2,429,738	2,383,286
Investments accounted for using the equity method	-	-	-	1,113	1,226
Investment Property	1,900	1,825	1,800	1,900	2,100
Intangible Assets	3,963	3,403	2,595	1,991	1,840
Other	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>2,853,604</b>	<b>2,821,439</b>	<b>2,453,012</b>	<b>2,438,544</b>	<b>2,393,267</b>
<b>TOTAL ASSETS</b>	<b>2,985,792</b>	<b>2,924,177</b>	<b>2,550,286</b>	<b>2,536,870</b>	<b>2,479,009</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payables	26,596	19,791	17,704	13,719	13,766
Borrowings	2	3	9	261	491
Provisions	13,292	13,394	12,749	13,071	12,457
<b>Total Current Liabilities</b>	<b>39,890</b>	<b>33,188</b>	<b>30,462</b>	<b>27,051</b>	<b>26,714</b>
<b>Non-Current Liabilities</b>					
Payables	-	-	-	-	600
Borrowings	-	2	4	13	274
Provisions	19,494	20,040	18,674	17,443	6,752
Investments accounted for using the equity method	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>19,494</b>	<b>20,042</b>	<b>18,678</b>	<b>17,456</b>	<b>7,626</b>
<b>TOTAL LIABILITIES</b>	<b>59,384</b>	<b>53,230</b>	<b>49,140</b>	<b>44,507</b>	<b>34,340</b>
<b>NET ASSETS</b>	<b>2,926,408</b>	<b>2,870,947</b>	<b>2,501,146</b>	<b>2,492,363</b>	<b>2,444,669</b>
<b>EQUITY</b>					
Retained Earnings	2,408,214	2,369,146	2,348,784	2,339,980	2,326,286
Revaluation Reserves	507,641	492,193	144,312	144,312	110,929
<b>Council Equity Interest</b>	<b>2,915,855</b>	<b>2,861,339</b>	<b>2,493,096</b>	<b>2,484,292</b>	<b>2,437,215</b>
<b>Non-controlling Interest</b>	<b>10,553</b>	<b>9,608</b>	<b>8,050</b>	<b>8,071</b>	<b>7,454</b>
<b>TOTAL EQUITY</b>	<b>2,926,408</b>	<b>2,870,947</b>	<b>2,501,146</b>	<b>2,492,363</b>	<b>2,444,669</b>

# The former Warringah Council

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

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## The former Warringah Council

### GENERAL PURPOSE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

The former Warringah Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:  
725 Pittwater Rd  
DEE WHY NSW 2099

The Financial Statements are authorised for issue by the Council on 23 November 2016. 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).

#### 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.northernbeaches.nsw.gov.au](http://www.northernbeaches.nsw.gov.au)

**Email:** [council@northernbeaches.nsw.gov.au](mailto:council@northernbeaches.nsw.gov.au)

#### OTHER INFORMATION

ABN: 31 565 068 406

#### AUDITORS

Hill Rogers

**The former Warringah Council**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

for the period 1 July 2015 to 12 May 2016

**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 period, 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.

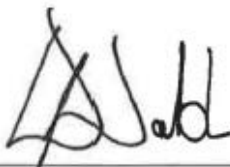
Signed in accordance with a resolution of Northern Beaches Council made on 22 November 2016.



Dick Persson  
Administrator



Mark Ferguson  
General Manager



David Walsh  
Responsible Accounting Officer



## The former Warringah Council

## INCOME STATEMENT

for the period 1 July 2015 to 12 May 2016

Budget <sup>(1)</sup>			Actual	Actual
2016	\$ '000	Notes	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
	<b>INCOME FROM CONTINUING OPERATIONS</b>			
	<b>Revenue:</b>			
97,676	Rates & Annual Charges	3a	97,741	96,578
37,973	User Charges & Fees	3b	40,774	42,004
2,179	Interest & Investment Revenue	3c	2,613	3,305
9,814	Other Revenues	3d	11,613	11,198
6,949	Grants & Contributions provided for Operating Purposes	3e,f	8,174	8,912
3,507	Grants & Contributions provided for Capital Purposes	3e,f	10,633	14,361
	<b>Other Income:</b>			
8,071	Net gains from the disposal of assets	5	7,462	1,777
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the Equity Method	19	-	-
<b>166,169</b>	<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>		<b>179,009</b>	<b>178,135</b>
	<b>EXPENSES FROM CONTINUING OPERATIONS</b>			
55,714	Employee Benefits & On-Costs	4a	54,292	62,366
1,183	Borrowing Costs	4b	846	951
51,522	Materials & Contracts	4c	50,004	56,594
13,926	Depreciation & Amortisation	4d	13,782	15,653
-	Impairment	4d	-	-
18,355	Other Expenses	4e	19,771	20,422
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	-	-
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the Equity Method	19	-	-
<b>140,700</b>	<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>		<b>138,695</b>	<b>155,986</b>
<b>25,469</b>	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>40,314</b>	<b>22,149</b>
	<b>DISCONTINUED OPERATIONS</b>			
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>25,469</b>	<b>NET OPERATING RESULT FOR THE PERIOD</b>		<b>40,314</b>	<b>22,149</b>
	Attributable to:			
24,027	- Council		38,588	20,197
1,442	- Non-controlling Interests		1,726	1,952
<b>21,962</b>	<b>Net Operating Result for the period before Grants and Contributions provided for Capital Purposes</b>		<b>29,681</b>	<b>7,788</b>

<sup>(1)</sup>Original Budget as approved by Council (with the exception of Rates) adjusted for the budget related to the period 13 May 2016 to 30 June 2016 - refer Note 16

<sup>(2)</sup>Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/5/2016 to 30/6/2016.

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

## The former Warringah Council

**STATEMENT OF COMPREHENSIVE INCOME**

for the period 1 July 2015 to 12 May 2016

		Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 – 30 June 2015
\$'000	Notes		
Net operating result for the period - from Income Statement		40,314	22,149
Other Comprehensive Income			
Gain on revaluation of infrastructure, property, plant and equipment	20b	15,928	348,046
Total other Comprehensive Income for the period		15,928	348,046
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		56,242	370,195
Attributable to:			
- Council		54,516	368,243
- Non-controlling Interests		1,726	1,952

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

## The former Warringah Council

## STATEMENT OF FINANCIAL POSITION

as at 12 May 2016

\$ '000	Notes	Actual 12 May 2016	Actual 30 June 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	3,930	5,988
Investments	6b	91,180	77,382
Receivables	7	24,825	9,351
Inventories	8	1,979	889
Other	8	567	979
Non-current assets classified as "held for sale"	22	9,707	8,149
<b>Total Current Assets</b>		<b>132,188</b>	<b>102,738</b>
<b>Non-Current Assets</b>			
Investments	6b	1,079	1,158
Receivables	7	589	565
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	2,846,073	2,814,488
Investments accounted for using the equity method	19	-	-
Investment Property	14	1,900	1,825
Intangible Assets	25	3,963	3,403
Other	8	-	-
<b>Total Non-Current Assets</b>		<b>2,853,604</b>	<b>2,821,439</b>
<b>TOTAL ASSETS</b>		<b>2,985,792</b>	<b>2,924,177</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	26,596	19,791
Borrowings	10	2	3
Provisions	10	13,292	13,394
<b>Total Current Liabilities</b>		<b>39,890</b>	<b>33,188</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	-	2
Provisions	10	19,494	20,040
Investments accounted for using the equity method	19	-	-
<b>Total Non-Current Liabilities</b>		<b>19,494</b>	<b>20,042</b>
<b>TOTAL LIABILITIES</b>		<b>59,384</b>	<b>53,230</b>
<b>NET ASSETS</b>		<b>2,926,408</b>	<b>2,870,947</b>
<b>EQUITY</b>			
Retained Earnings	20	2,408,214	2,369,146
Revaluation Reserves	20	507,641	492,193
<b>Council Equity Interest</b>		<b>2,915,855</b>	<b>2,861,339</b>
<b>Non-controlling Interest</b>		<b>10,553</b>	<b>9,608</b>
<b>TOTAL EQUITY</b>		<b>2,926,408</b>	<b>2,870,947</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes

## The former Warringah Council

## STATEMENT OF CHANGES IN EQUITY

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Non-controlling Interest	Total Equity
period ended 12 May 2106						
<b>Opening Balance</b>		2,369,146	492,193	2,861,339	9,608	<b>2,870,947</b>
Correction of Errors	20d	-	-	-	-	-
Changes in Accounting Policies	20e	-	-	-	-	-
<b>Restated Opening Balances</b>		<b>2,369,146</b>	<b>492,193</b>	<b>2,861,339</b>	<b>9,608</b>	<b>2,870,947</b>
Net Operating Result for the period		38,588	-	38,588	1,726	<b>40,314</b>
Other Comprehensive Income		-	15,928	15,928	-	<b>15,928</b>
<b>Total Comprehensive Income</b>		<b>38,588</b>	<b>15,928</b>	<b>54,516</b>	<b>1,726</b>	<b>56,242</b>
Transfer from Asset Revaluation Reserve	20a	480	-	480	-	480
Transfer to Retained Earnings	20b	-	(480)	(480)	-	(480)
Dividends Paid to Minority Interests		-	-	-	(781)	(781)
<b>Closing Balance</b>		<b>2,408,214</b>	<b>507,641</b>	<b>2,915,855</b>	<b>10,553</b>	<b>2,926,408</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Non-controlling Interest	Total Equity
year ended 30 June 2015						
<b>Opening Balance</b>		2,348,784	144,312	2,493,096	8,050	<b>2,501,146</b>
Correction of Errors	20d	-	-	-	-	-
Changes in Accounting Policies	20e	-	-	-	-	-
<b>Restated Opening Balances</b>		<b>2,348,784</b>	<b>144,312</b>	<b>2,493,096</b>	<b>8,050</b>	<b>2,501,146</b>
Net Operating Result for the year		20,197	-	20,197	1,952	<b>22,149</b>
Other Comprehensive Income		-	348,046	348,046	-	<b>348,046</b>
<b>Total Comprehensive Income</b>		<b>20,197</b>	<b>348,046</b>	<b>368,243</b>	<b>1,952</b>	<b>370,195</b>
Transfer from Asset Revaluation Reserve	20a	165	-	165	-	165
Transfer to Retained Earnings	20b	-	165	165	-	165
Dividends Paid to Minority Interests		-	-	-	(394)	(394)
<b>Closing Balance</b>		<b>2,369,146</b>	<b>492,193</b>	<b>2,861,339</b>	<b>9,608</b>	<b>2,870,947</b>

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

## The former Warringah Council

## STATEMENT OF CASH FLOWS

for the period 1 July 2015 to 12 May 2016

Budget			Actual	Actual
2016	\$ '000	Notes	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
<b>Cash Flows from Operating Activities</b>				
<u>Receipts:</u>				
97,676	Rates & Annual Charges		82,231	96,409
37,973	User Charges & Fees		43,584	40,666
2,179	Interest & Investment Revenue Received		2,633	3,490
10,456	Grants & Contributions		18,333	19,437
-	Deposits & Retentions Received		2,777	2,091
9,806	Other		11,535	10,961
<u>Payments:</u>				
(54,379)	Employee Benefits & On-Costs		(55,027)	(61,451)
(51,522)	Materials & Contracts		(46,127)	(57,255)
-	Borrowing Costs		(1)	(29)
-	Deposits & Retentions Refunded		(1,284)	(1,242)
(18,733)	Other Expenses		(21,346)	(19,493)
<b>33,456</b>	<b>Net Cash provided (or used in) Operating Activities</b>	<b>11b</b>	<b>37,308</b>	<b>33,584</b>
<b>Cash Flows from Investing Activities</b>				
<u>Receipts:</u>				
2,212	Sale of Investments		163,556	127,495
-	Sale of Investment Property		-	-
1,870	Sale of Infrastructure, Property, Plant & Equipment		1,182	1,427
9,969	Sale of Non Current Assets Held for Resale		7,969	2,000
<u>Payments:</u>				
-	Purchase of Investment Securities		(177,262)	(129,924)
(44,705)	Purchase of Infrastructure, Property, Plant & Equipment		(33,467)	(34,649)
-	Purchase of Intangibles		(560)	(808)
<b>(30,654)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(38,582)</b>	<b>(34,459)</b>
<b>Cash Flows from Financing Activities</b>				
<u>Receipts:</u>				
4,785	Proceeds from Borrowings & Advances		-	-
<u>Payments:</u>				
(1,248)	Repayment of Borrowings & Advances		-	-
-	Repayment of Finance Lease Liabilities		(3)	(8)
(692)	Dividends Paid to Minority Interests		(781)	(394)
<b>2,845</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(784)</b>	<b>(402)</b>
<b>5,647</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(2,058)</b>	<b>(1,277)</b>
8,048	Cash & Cash Equivalents at beginning of the year	11a	5,988	7,265
<b>13,695</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	<b>11a</b>	<b>3,930</b>	<b>5,988</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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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NOTES TO THE FINANCIAL STATEMENTS  
for the financial year ended 30 June 2016

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 periods 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. The former Warringah Council is a not for profit entity for the purpose of preparing the financial statements.

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

There have been no new accounting standards adopted in the financial statements for the period to 12 May 2016 which have had any material impact on reported financial position, performance or cash flows.

**(ii) Early adoption of standards**

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

**(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) Significant Accounting Estimates and judgements**

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

**Critical accounting estimates and assumptions**

The former 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.

**Significant judgements in applying the council's accounting policies**

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

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

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

- The business of the Council is continuing through the Northern Beaches Council;
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:
  - all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils;
  - new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties;

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

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

**(ii) Impairment of Receivables**

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

**(iii) 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.

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

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



## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 period 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 period.

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 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) County Councils**

Council is not a member of any County Councils

**(iv) Interests in other entities****Subsidiaries**

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

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained

until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transaction between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

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

**Joint Arrangements**

AASB 11 Joint Arrangements defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations. Council has determined that it has neither joint ventures nor joint operations.

**Joint ventures**

Joint ventures are those joint arrangements which provide the Council with rights to the net assets of the arrangements. Interests in joint ventures are accounted for using the equity method in accordance with AASB 128 Associates and Joint Ventures. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses. The Council's share in the joint ventures gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint ventures accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

**Associates**

Interests in associates, where the Council has significant influence over the investee, are accounted for using the equity method in accordance with AASB 128 Associates and Joint Ventures. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

after the date of acquisition. The results of the controlled entities for the financial year to 12 May 2016.

**(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 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) Impairment of assets**

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.

**(f) Cash and Cash Equivalents**

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

**(g) 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.

**(h) 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.

Stockpiles of excavated rock which will be used in the future for landfill cover material is carried at cost, measured using the weighted average cost of acquisition, excavation and preparation. Material extracted from the stockpile is expensed in the period it is used.

***(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.

***(i) 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 former Warringah Council

NOTES TO THE FINANCIAL STATEMENTS  
for the financial year ended 30 June 2016

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

**(j) 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.

**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.

Changes in the fair value of other monetary and non-monetary securities are recognised in equity.

**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

## The former Warringah Council

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

### (k) Fair value estimation – financial instruments

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial reporting 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 reporting 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.

### (l) 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 Office 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 (External Valuation)
- Drainage assets – (External Valuation)
- Community Land – (Internal Valuation)
- Other structures (External Valuation).
- 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 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 preserved 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	60 – 100 years
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#### Transportation Assets

Sealed Roads – Surface	8 – 20 years
Sealed Roads – Structure	120 years
Bridge – Concrete	100 years
Bridge – Other	100 years
Road Pavements	50 – 60 years
Kerb, Gutter & Paths	80 years

#### Other Assets

Library Books	5 – 15 years
Artworks	Indefinite

The assets' preserved 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 2015, 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.

#### (m) 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



## The former Warringah Council

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2015.

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.

### (n) Payables

#### (i) Goods & Services

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial period 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.

### (o) 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 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 purposes 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.

### (p) 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.

### (q) 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.

### (r) 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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

**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.

**(s) 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.

**(t) 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).

**(u) 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.

**(v) 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.

**(w) 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 exclude these assets including plant and vehicles and depreciation charges from the Financial Statements.

**(x) 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 12 May 2016. The former Warringah Council's assessment of the impact of these new standards and interpretations is set out below.

**AASB 9 Financial Instruments and Associated Amending Standards**

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Impairment of assets is now based on expected losses in AASB9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

Annual reporting periods beginning on or after 1 January 2018; i.e. councils' financial statements for year ended 30 June 2019.

The available-for-sale investments held will be classified at fair value through OCI and will no longer be subject to impairment testing. The impairment loss recognised in the current period financial statements in relation to these statements was \$Nil.

## The former Warringah Council

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2016

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other impacts on the reported financial position and performance have not yet been determined.

### ***AASB 2014 – 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture.***

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

This will only have impact for Councils with associates or joint ventures where there has been a sale or contribution of assets between the entity and its investor.

If Council does not have an associate or joint venture then this standard should not be included in the note.

If Council has made or anticipates making a sale or contribution with its joint venture or associate then the impact should be documented.

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

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11. Annual periods beginning on or after 1 January 2016 If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value

If the council has not acquired a joint operation then there will be no impact on adoption of this standard and therefore this standard.

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

This standard extends the scope of AASB124 Related Party Disclosures to include application by not-for-profit public sector entities.

The effective date is annual reporting periods beginning on or after 1 July 2016 (i.e. reporting period ending 30 June 2017).

Related party transactions will be disclosed in the Council's financial statements in relation to key management personnel, their close families, and related entities. There will be no impact on Council's reporting of its financial position or performance.

### ***AASB16 Leases***

AASB16 will result in most of the operating leases of an entity being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments. A corresponding right to use assets will be recognised, which will be amortised over the term of the lease.

Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

The effective date is annual reporting periods beginning on or after 1 January 2019; i.e. councils' financial statements for year ended 30 June 2020.

Whilst the impact of AASB16 has not yet been fully determined, Council currently has \$423,000 of operating leases which are likely to be brought to account.

### ***AASB 15 Revenue from contracts with customers and associated amending standards***

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

Accounting policy changes will arise in timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The effective date is annual reporting periods beginning on or after 1 January 2017.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.



## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## 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
	1 July 2015 - 12 May 2016	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
Corporate Support	29,048	36,152	23,762	7,090	4,330	7,365	21,958	31,822	16,397	119	1,809	1,942,748	1,888,299
Good Governance	3,523	3,478	4,193	3,523	2,772	3,892	-	706	301	3,148	3,154	-	-
Certification	2,086	1,950	992	2,086	1,919	1,187	-	31	(195)	-	-	-	-
Child Care	8,661	8,913	9,633	8,661	8,765	9,399	-	148	234	431	736	617	4,664
Community & Safety	5,642	6,193	6,976	5,642	5,724	6,215	-	469	761	374	271	180	138
Compliance	7,044	7,153	8,606	7,044	7,021	8,456	-	132	150	-	-	-	-
Cultural Services	1,139	1,228	1,409	1,139	1,214	1,250	-	14	159	-	-	-	-
Development Assessment	4,590	4,864	5,703	4,590	4,687	5,726	-	177	(23)	-	-	-	-
Glen Street Theatre	2,675	2,399	2,988	2,675	2,709	3,087	-	(310)	(99)	-	-	7	10
Information & Library	5,819	5,854	6,641	5,819	5,601	7,017	-	253	(376)	580	381	1,624	1,551
Kimbriki Environmental Enterprises	28,586	32,567	31,697	25,683	27,672	27,711	2,903	4,895	3,986	-	10	34,113	29,398
Natural Environment	11,079	10,540	12,711	11,079	10,941	12,443	-	(401)	268	237	1,008	438,450	438,528
Parks, Reserves & Foreshores	10,979	11,402	12,638	10,979	11,124	12,833	-	278	(195)	18	81	118,370	113,701
Roads & Traffic	16,063	16,566	41,628	16,063	15,477	40,975	-	1,089	653	3,730	2,957	447,147	446,177
Strategic Planning	3,783	3,669	4,186	3,783	3,937	4,029	-	(268)	157	-	-	-	-
Warringah Aquatic Centre	3,965	3,733	4,372	3,965	3,684	4,401	-	49	(29)	8	-	1,987	1,711
Waste	21,487	22,348	-	20,879	21,118	-	608	1,230	-	260	-	-	-
<b>Total Functions &amp; Activities</b>	<b>166,169</b>	<b>179,009</b>	<b>178,135</b>	<b>140,700</b>	<b>138,695</b>	<b>155,986</b>	<b>25,469</b>	<b>40,314</b>	<b>22,149</b>	<b>8,905</b>	<b>10,407</b>	<b>2,985,243</b>	<b>2,924,177</b>
<b>Operating Result attributable to Council</b>							<b>24,027</b>	<b>38,588</b>	<b>20,197</b>				
<b>Operating Result attributable to Minority Interest</b>							<b>1,442</b>	<b>1,726</b>	<b>1,952</b>				

<sup>1</sup> Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income of 2016 \$70,411 (Budget) and \$70,178 (Actual) and 2015 \$82,345 (Actual).

## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

#### 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.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 3 INCOME FROM CONTINUING OPERATIONS

		Actual	Actual
\$ '000	Notes	1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015
<b>(a) Rates &amp; Annual Charges(1)(2)</b>			
<b>Ordinary Rates</b>			
Residential		62,265	60,204
Business		14,976	14,574
<b>Total Ordinary Rates</b>		<b>77,241</b>	<b>74,778</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s496, s501 & s611)			
Domestic Waste Management Services		20,403	21,713
Section 611 Charges		97	87
<b>Total Annual Charges</b>		<b>20,500</b>	<b>21,800</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>97,741</b>	<b>96,578</b>

1. Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

2. Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustment has been made for rates not earned during the period 13/5/2016 to 30/6/2016.

		Actual	Actual
\$ '000	Notes	1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015
<b>User Charges</b> (pursuant to s.502)			
Waste Management Services (non-domestic)		490	481
<b>Total User Charges</b>		<b>490</b>	<b>481</b>
<b>Fees</b>			
Planning & Building Regulation		2,649	2,285
Regulatory/ Statutory Fees		307	405
Section 149 Certificates (EPA Act)		372	504
Section 603 Certificates		202	228
Dog Registration		48	47
Road Inspections		226	210
Child Care		6,577	6,955
Community Centres		1,616	1,787
Glen Street Theatre		885	1,238
Kimbriki Waste & Recycling Centre		22,547	22,018
Libraries		105	104
Parking Areas		1,473	1,465
Restoration Charges		410	1,098
Swimming Centres		2,025	2,257
Other		842	922
<b>Total Fees</b>		<b>40,284</b>	<b>41,523</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>40,774</b>	<b>42,004</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Actual 1 July 2015 – 12 May 2016	Actual 1 July 2014 – 30 June 2015
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Overdue Rates & Annual Charges		172	200
- Cash and Investments		2,428	3,082
<b>Fair Value Adjustments</b>			
- Investments		13	23
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>2,613</b>	<b>3,305</b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		172	200
General Council Cash & Investments		1,908	2,206
<b>Restricted Investments/Funds - External:</b>			
<b>Development Contributions</b>			
- Section 94		353	723
- Section 94A		180	176
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b>2,613</b>	<b>3,305</b>
<b>(d) Other Revenues</b>			
Ex Gratia Rates		21	21
Fair Value increments - Investment Properties		75	25
Legal Fees Recovery - Rates & Charges (Extra Charges)		59	44
Legal Fees Recovery - Other		150	102
Other Fines		552	471
Parking Fines		1,772	2,310
Recycling Income (non domestic)		2,054	2,304
Rental Income - Investment Properties		132	145
Rental Income - Other Council Properties		3,164	2,803
Sales - General		349	276
Sullage Income/Sponsorship		39	26
Waste Performance Improvement		335	335
Other Revenues		2,911	2,336
<b>TOTAL OTHER REVENUE</b>		<b>11,613</b>	<b>11,198</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Operating		Capital	
		1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015	1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015
<b>(e) Grants</b>					
<b>General Purpose (Untied)</b>					
Financial Assistance - General Component		3,149	3,154	-	-
Financial Assistance - Local Roads Component		1,236	1,246	-	-
Pensioners' Rates Subsidies - General Component		737	739	-	-
<b>Total General Purpose</b>		<b>5,122</b>	<b>5,139</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>					
Pensioners' Rates Subsidies:					
- Domestic Waste Management		260	259	-	-
Bushfire & Emergency Services		-	57	-	-
Child Care		431	740	-	-
Coast & Estuaries		72	98	-	779
Community Care		106	109	-	-
Community Centres		67	70	260	120
Environmental Protection		164	107	-	-
Library		94	97	505	284
Noxious Weeds		1	24	-	-
Recreation & Culture		-	-	18	25
Street Lighting		-	411	-	-
Transport (Roads to Recovery)		-	-	1,795	588
Transport (Other Roads & Bridges Funding)		10	73	-	606
Other		-	10	-	811
<b>Total Specific Purpose</b>		<b>1,205</b>	<b>2,055</b>	<b>2,578</b>	<b>3,213</b>
<b>Total Grants</b>		<b>6,327</b>	<b>7,194</b>	<b>2,578</b>	<b>3,213</b>
<b>Grant Revenue is attributable to:</b>					
- Commonwealth Funding		4,516	4,667	1,851	588
- State Funding		1,811	2,527	727	2,625
		<b>6,327</b>	<b>7,194</b>	<b>2,578</b>	<b>3,213</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Operating		Capital	
		1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015	1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015
<b>(f) Contributions</b>					
<b>Developer Contributions:</b>					
- S 94		-	-	1	238
- S 94A Levies		-	-	5,179	5,764
<b>Total Developer Contributions</b>	17	-	-	<b>5,180</b>	<b>6,002</b>
<b>Other Contributions:</b>					
Bushfire Services		95	136	-	6
Coast & Estuaries		3	1	-	-
Other Councils - Joint Works/Services		-	189	-	-
Recreation & Culture		18	3	377	359
RMS Contributions (Regional/Local, Block Grant)		366	366	359	522
Footpath		-	-	5	174
Community Services		55	22	18	540
Community Land		288	-	255	3,599
Land Under Roads		-	-	1,698	-
Other		1,022	1,008	-	
<b>Total Other Contributions</b>		<b>1,847</b>	<b>1,718</b>	<b>2,875</b>	<b>5,146</b>
<b>Total Contributions</b>		<b>1,847</b>	<b>1,718</b>	<b>8,055</b>	<b>11,148</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>8,174</b>	<b>8,912</b>	<b>10,633</b>	<b>14,361</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	6,601	7,257
<b>Less:</b> Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period	(6,718)	(9,801)
<b>Net Increase/(Decrease) in Restricted Assets during the Current Reporting Period</b>	<b>(117)</b>	<b>(2,544)</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS

		Actual	Actual
		1 July 2015	1 July 2014
\$ '000	Notes	– 12 May 2016	– 30 June 2015
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		44,483	50,103
Employee Termination Costs		238	570
Travelling		16	18
Employee Leave Entitlements (ELE)		4,889	6,022
Superannuation		4,807	5,500
Workers' Compensation Insurance		119	554
Fringe Benefit Tax (FBT)		388	422
Training Costs (other than Salaries & Wages)		841	698
Recruitment Costs		111	81
Other		460	473
<b>Total Employee Costs</b>		<b>56,352</b>	<b>64,441</b>
Less: Capitalised Costs		(2,060)	(2,075)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>-</b>	<b>54,292</b>	<b>62,366</b>
Number of "Full Time Equivalent" Employees as at 12 May 2016		596	589
Number of "Full Time Equivalent" Employees for the reporting period		664	657
<b>(b) Borrowing Costs</b>			
Charges on Finance Leases		-	29
Amortisation of Discounts and Premiums			
- Remediation Liabilities		846	922
Less: Capitalised Costs		-	-
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>846</b>	<b>951</b>



## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

		Actual	Actual
		1 July 2015	1 July 2014
\$ '000	Notes	– 12 May 2016	– 30 June 2015
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		10,953	12,549
Contractor & Consultancy Costs			
- Bush Regeneration		1,044	958
- Cleaning		1,020	1,208
- Consultancy		597	123
- External Roadwork		394	755
- Garbage		4,299	5,338
- Kimbriki Waste & Recycling Centre		10,573	10,445
- Recycling		3,803	3,702
- Waste Disposal		7,160	7,589
- Other		9,018	12,324
Remuneration of Auditors <sup>(1)</sup>			
- Audit Services		81	79
- Other Services		12	2
Legal Fees:			
- Planning & Development		260	488
- Other		681	892
Operating Leases:			
- Printers		199	205
Less: Capitalised Costs		(90)	(63)
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>50,004</b>	<b>56,594</b>
(1) During the period the following fees were paid or payable for services provided by the Council's auditors - Hill Rogers			
(i) Audit and other assurance services			
Audit and review of financial statements		81	79
Other assurance services		-	-
<b>Total remuneration for audit and other assurance services</b>		<b>81</b>	<b>79</b>
(ii) Other services			
- Attendance at Audit and Risk Committee Meetings		-	-
- Other		12	2
<b>Total remuneration for other services</b>		<b>12</b>	<b>2</b>
<b>Total remuneration of Council's auditors - Hill Rogers</b>		<b>93</b>	<b>81</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

\$ '000	Notes	Depreciation/Amortisation		Impairment Costs	
		Actual	Actual	Actual	Actual
		1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015	1 July 2015 – 12 May 2016	1 July 2014 – 30 June 2015
<b>(d) Depreciation, Amortisation &amp; Impairment</b>					
Plant and Equipment		1,367	1,701	-	-
Office Equipment		932	1,246	-	-
Furniture & Fittings		28	40	-	-
Property, Plant & Equipment - Leased		2	8	-	-
Land Improvements (depreciable)		-	-	-	-
Buildings - Non Specialised		1,637	2,855	-	-
Buildings - Specialised		561	601	-	-
Other Structures		439	448	-	-
Infrastructure:					
- Roads		3,557	3,405	-	-
- Bridges		39	33	-	-
- Footpaths		206	377	-	-
- Stormwater Drainage		3,249	3,805	-	-
- Swimming Pools		114	41	-	-
- Open space/recreational assets		993	325	-	-
Other Assets					
- Library Books		448	524	-	-
Tip Asset		210	244	-	-
Less: Capitalised Costs			-	-	-
<b>TOTAL DEPRECIATION &amp; TOTAL IMPAIRMENT</b>		<b>13,782</b>	<b>15,653</b>	<b>-</b>	<b>-</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

	Actual	Actual
	1 July 2015	1 July 2014
\$ '000	– 12 May 2016	– 30 June 2015
<b>(e) Other Expenses</b>		
Other Expenses for the year include the following:		
Revaluation Decrement	205	-
Advertising	511	577
Bad & Doubtful Debts	37	23
Carbon Tax Expense	-	-
Mayoral Fee	57	61
Councillors' Fees	214	228
Councillors' (incl. Mayor) Expenses* - Other (excluding fees above)	94	112
Contributions to Other Levels of Government		
- Planning Levy	297	290
- Waste Levy	8,759	8,278
- Emergency Services Levy	2,900	2,852
- Other Levies	1	-
Contributions & Donations (Section 356)	237	278
Data Services	382	316
Electricity & Heating	2,271	2,756
Insurance	1,234	1,428
Interest on Bonds & Deposits	14	6
Land Tax	280	265
SHOROC Contributions	92	80
Street Lighting	1,225	1,465
Telephone & Communications	499	462
Valuation Fees	231	227
Other	230	718
<b>TOTAL OTHER EXPENSES</b>	<b>19,771</b>	<b>20,422</b>

\* Expenses are to be reported in accordance with clause 217(1)(a1) of the Local Government (General) Regulation 2005 and reconciled with Council's Annual Report.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 1 July 2015 – 12 May 2016	Actual 1 July 2014 – 30 June 2015
<b>Property (excl. Investment Property)</b>			
Proceeds from Disposal		-	-
less: Carrying Amount of Property Assets Sold		-	-
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		1,182	1,427
less: Carrying Amount of P&E Assets Sold		(893)	(1,038)
<b>Net Gain/(Loss) on Disposal</b>		<b>289</b>	<b>389</b>
<b>Infrastructure</b>			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		-	(199)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>(199)</b>
<b>Capital Work in Progress</b>			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		(20)	(294)
<b>Net Gain/(Loss) on Disposal</b>		<b>(20)</b>	<b>(294)</b>
<b>Financial Assets</b>			
Proceeds from Disposal		163,556	127,495
less: Carrying Amount of Financial Assets Sold		(163,556)	(127,495)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal		7,969	2,000
less: Carrying Amount of "Held for Sale" Assets Sold		(776)	(119)
<b>Net Gain/(Loss) on Disposal</b>		<b>7,193</b>	<b>1,881</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>7,462</b>	<b>1,777</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 6(a) CASH AND CASH EQUIVALENTS

\$ '000	Notes	Actual 12 May 2016		Actual 30 June 2015	
		Current	Non Current	Current	Non Current
Cash on Hand and at Bank		3,930	-	5,988	-
Deposits at Call		-	-	-	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>3,930</b>	<b>-</b>	<b>5,988</b>	<b>-</b>

## NOTE 6(b) INVESTMENTS

Financial Assets at fair value through Profit and Loss - Held for Trading	-	1,079	-	1,158
Held to Maturity Investments	91,180	-	77,382	-
<b>Total</b>	<b>91,180</b>	<b>1,079</b>	<b>77,382</b>	<b>1,158</b>

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

At beginning of year	-	1,158	-	1,283
Revaluation to Income Statement	-	13	-	23
Additions	-	-	-	-
Disposals	-	(92)	-	(148)
Transfers between Current/Non Current	-	-	-	-
<b>At end of year</b>	<b>-</b>	<b>1,079</b>	<b>-</b>	<b>1,158</b>

Comprising of:

Mortgage Backed Securities	-	1,079	-	1,158
	<b>-</b>	<b>1,079</b>	<b>-</b>	<b>1,158</b>

## Held to Maturity Investments

At beginning of year	77,382	-	72,805	2,000
Amortisation of discounts and premiums	-	-	-	-
Additions	177,262	-	129,924	-
Disposals	(163,464)	-	(127,347)	-
Transfers between Current/Non Current	-	-	2,000	(2,000)
<b>At end of year</b>	<b>91,180</b>	<b>-</b>	<b>77,382</b>	<b>-</b>

Comprising of:

Term Deposits	91,180	-	77,382	-
FRNs	-	-	-	-
	<b>91,180</b>	<b>-</b>	<b>77,382</b>	<b>-</b>

## Note:

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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12 May 2016		Actual 30 June 2015	
		Current	Non Current	Current	Non Current
<b>Total Cash, Cash Equivalents and Investments</b>		<b>95,110</b>	<b>1,079</b>	<b>83,370</b>	<b>1,158</b>
External Restrictions (refer below)		25,272	1,079	27,802	1,158
Internal Restrictions (refer below)		10,636	-	9,136	-
Unrestricted		59,202	-	46,432	-
		<b>95,110</b>	<b>1,079</b>	<b>83,370</b>	<b>1,158</b>

2015 \$ '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)	21,885	5,713	(6,522)	21,076
Specific Purpose Unexpended Grants (B)	1,168	888	(196)	1,860
Domestic Waste Management (C)	5,907	-	(2,492)	3,415
<b>External Restrictions - Other</b>	<b>28,960</b>	<b>6,601</b>	<b>(9,210)</b>	<b>26,351</b>
<b>Total External Restrictions</b>	<b>28,960</b>	<b>6,601</b>	<b>(9,210)</b>	<b>26,351</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.

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Deposits, Retentions & Bonds	5,300	1,493	-	6,793
Employees Leave Entitlement	2,644	34	-	2,678
Insurance	926	-	(27)	899
Long Reef SLSC Renewal	171	-	-	171
Road Reserve	95	-	-	95
<b>Total Internal Restrictions</b>	<b>9,136</b>	<b>1,527</b>	<b>(27)</b>	<b>10,636</b>
<b>TOTAL RESTRICTIONS</b>	<b>38,096</b>	<b>8,128</b>	<b>(9,237)</b>	<b>36,987</b>



## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 7 RECEIVABLES

\$ '000	Notes	Actual 12 May 2016		Actual 30 June 2015	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		17,756	360	2,257	349
Interest & Extra Charges		217	229	212	216
User Charges & Fees		4,387	-	4,815	-
Accrued Revenues					
- Interest on Investments		973	-	1,011	-
Government Grants & Subsidies		10	-	309	-
Net GST Receivable		1,103	-	907	-
<b>Total</b>		<b>24,446</b>	<b>589</b>	<b>9,511</b>	<b>565</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		-	-	-	-
User Charges & Fees		(170)	-	(160)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(170)</b>	<b>-</b>	<b>(160)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>24,276</b>	<b>589</b>	<b>9,351</b>	<b>565</b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		4,227	111	576	106
Other		-	-	-	-
<b>Total External Restrictions</b>		<b>4,227</b>	<b>111</b>	<b>576</b>	<b>106</b>
<b>Internally Restricted Receivables</b>					
Nil		-	-	-	-
<b>Unrestricted Receivables</b>		<b>20,049</b>	<b>478</b>	<b>8,775</b>	<b>459</b>
<b>TOTAL NET RECEIVABLES</b>		<b>24,276</b>	<b>589</b>	<b>9,351</b>	<b>565</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 8 INVENTORIES &amp; OTHER ASSETS

\$ '000	Notes	Actual 12 May 2016		Actual 30 June 2015	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
<b>At cost:</b>					
Stores & Materials		57	-	54	-
Trading Stock		27	-	28	-
Waste Cell Lining		1,895	-	807	-
<b>Total Inventories</b>		<b>1,979</b>	<b>-</b>	<b>889</b>	<b>-</b>
<b>Inventories not expected to be realised within the next 12 months</b>					
		<b>1,674</b>	<b>-</b>	<b>472</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		567	-	979	-
<b>Total Other Assets</b>		<b>567</b>	<b>-</b>	<b>979</b>	<b>-</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>2,546</b>	<b>-</b>	<b>1,868</b>	

**Note:**

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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

\$ '000	At 30 June 2015					Asset Movements during the Reporting Period					At 12 May 2016			
	Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying value	Renewals	New Assets	Carrying Value of Disposals	Depreciation and Impairment	Adjustments & Transfers	Revaluation Increments/ (decrements)	Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying value
Capital Work in Progress	8,682	-	-	8,682	377	12,126	(20)	-	(1,685)	-	19,480	-	-	19,480
Plant & Equipment	-	9,730	4,821	4,909	2,443	-	(893)	(1,367)	35	-	-	10,036	4,909	5,127
Office Equipment	-	9,426	6,755	2,671	143	285	-	(932)	163	-	-	10,015	7,685	2,330
Furniture & Fittings	-	2,345	2,101	244	-	19	-	(28)	-	-	-	2,364	2,129	235
Plant & Equipment (under Finance Lease)	-	12	8	4	-	-	-	(2)	-	-	-	11	9	2
<b>Land:</b>														
- Operational Land	-	144,797	-	144,797	-	-	-	-	716	-	-	145,513	-	145,513
- Community Land	-	1,434,167	-	1,434,167	-	205	-	-	(2,955)	15,852	-	1,447,269	-	1,447,269
- Land Under Roads	-	2,096	-	2,096	-	1,698	-	-	(205)	76	-	3,665	-	3,665
Land Improvements - depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - Non Specialised	-	171,114	22,003	149,111	1,297	(117)	-	(1,637)	320	-	-	171,066	22,092	148,974
Buildings - Specialised	-	60,820	7,623	53,197	175	1,043	-	(561)	27	-	-	62,065	8,184	53,881
Other Structures	-	59,175	1,376	57,799	596	1,232	-	(439)	435	-	-	61,420	1,797	59,623
<b>Infrastructure:</b>														
- Roads	-	425,079	27,358	397,721	4,270	438	-	(3,557)	526	-	-	430,298	30,900	399,398
- Bridges	-	7,071	278	6,793	-	-	-	(39)	192	-	-	7,280	334	6,946
- Footpaths	-	44,943	5,376	39,567	117	818	-	(206)	12	-	-	45,890	5,582	40,308
- Stormwater Drainage	-	508,821	68,579	440,242	2,752	2	-	(3,249)	218	-	-	511,780	71,815	439,965
- Swimming Pools	-	11,808	397	11,411	42	-	-	(114)	-	-	-	11,849	510	11,339
- Other Open Space/Recreational Assets	-	53,090	3,538	49,552	1,768	542	-	(993)	(255)	-	-	55,134	4,520	50,614
<b>Other Assets:</b>														
- Library Books	-	9,045	7,506	1,539	525	-	-	(448)	12	-	-	9,581	7,953	1,628
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tip Asset	-	11,629	1,643	9,986	-	-	-	(210)	-	-	-	11,629	1,853	9,776
<b>TOTAL</b>	<b>8,682</b>	<b>2,965,168</b>	<b>159,362</b>	<b>2,814,488</b>	<b>14,505</b>	<b>18,291</b>	<b>(913)</b>	<b>(13,782)</b>	<b>(2,444)</b>	<b>15,928</b>	<b>19,480</b>	<b>2,996,865</b>	<b>170,272</b>	<b>2,846,073</b>

**Note:**

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

Included in Adjustments &amp; Transfers is \$205,000 for revaluation decrements on Community Land assets transferred from Land Under Roads

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual				Actual			
	12-May-16				30-Jun-15			
Class of Asset	At Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying Amount	At Cost	At Fair Value	Accumulated Depreciation & Impairment	Carrying Amount
<b>Domestic Waste Management</b>								
- 35.5% of 7 Kimbriki Rd Ingleside	-	1,150	103	1,047	-	1,150	97	1,053
<b>Total DWM</b>	-	<b>1,150</b>	<b>103</b>	<b>1,047</b>	-	<b>1,150</b>	<b>97</b>	<b>1,053</b>
<b>Other Restricted Assets</b>								
- 64.5% of 7 Kimbriki Rd Ingleside	-	7,844	580	7,264	-	7,844	543	7,301
- 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>8,560</b>	<b>580</b>	<b>7,980</b>	-	<b>8,560</b>	<b>543</b>	<b>8,017</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	<b>9,710</b>	<b>683</b>	<b>9,027</b>	-	<b>9,710</b>	<b>640</b>	<b>9,070</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12 May 2016		Actual 30 June 2015	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services		5,649	-	2,359	-
Accrued Expenses					
- Wages and Salaries		786	-	1,517	-
- Other		7,621	-	6,520	-
Payments Received In Advance		5,003	-	2,854	-
Deposits & Retentions		6,793	-	5,300	-
Other Payables		744	-	1,241	-
<b>Total Payables</b>		<b>26,596</b>	<b>-</b>	<b>19,791</b>	<b>-</b>
<b>Current Payables not expected to be settled within the next 12 months</b>					
Deposits & Retentions		5,113	-	4,086	-
<b>Total</b>		<b>5,113</b>	<b>-</b>	<b>4,086</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>(1)</sup>		-	-	-	-
Finance Lease Liability		2	-	3	2
<b>Total Borrowings</b>		<b>2</b>	<b>-</b>	<b>3</b>	<b>2</b>
<b>Provisions<sup>(2)</sup></b>					
<b>Employee Benefits;</b>					
Annual Leave		4,085	-	4,189	-
Sick Leave		253	-	320	-
Long Service Leave		8,591	1,132	8,288	1,059
Gratuities		17	-	35	-
Redundancies		-	-	191	-
<b>Sub Total - Aggregate Employee Benefits</b>		<b>12,946</b>	<b>1,132</b>	<b>13,023</b>	<b>1,059</b>
Self Insurance - Workers Compensation		242	434	253	520
- Public Liability		104	795	118	808
- Other					
Asset Remediation	26	-	17,133	-	16,287
Carbon Tax		-	-	-	1,366
<b>Total Provisions</b>		<b>13,292</b>	<b>19,494</b>	<b>13,394</b>	<b>20,040</b>
<b>Total payables, borrowings and provisions</b>					
		<b>39,890</b>	<b>19,494</b>	<b>33,188</b>	<b>20,042</b>
<b>Current Provisions not expected to be settled within the next 12 months</b>					
		7,306	-	6,773	

## Notes:

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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12 May 2016		Actual 30 June 2015	
	Current	Non Current	Current	Non Current
<b>Liabilities relating to Restricted Assets</b>				
<b>Externally Restricted Assets</b>				
Domestic Waste Management	712	-	774	-
<b>Total</b>	<b>712</b>	<b>-</b>	<b>774</b>	<b>-</b>
<b>Internally Restricted Assets</b>				
Security Bonds, Deposits & Retentions	4,450	-	5,300	-
Employee Leave Entitlements	2,452	226	2,432	212
Self Insurance	242	434	253	520
<b>Total</b>	<b>7,144</b>	<b>660</b>	<b>7,985</b>	<b>732</b>
<b>Total Liabilities relating to restricted assets</b>	<b>7,856</b>	<b>660</b>	<b>8,759</b>	<b>732</b>
<b>Liabilities related to unrestricted assets</b>	<b>32,034</b>	<b>18,834</b>	<b>24,429</b>	<b>19,310</b>
<b>Total</b>	<b>39,890</b>	<b>19,494</b>	<b>33,188</b>	<b>20,042</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## 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	Opening Balance	Additional Provisions/ (write backs)	Payments	Remeasurement	Closing Balance
\$'000					
Self Insurance	1,699	176	(300)	-	1,575
Asset Remediation	16,287	846	-	-	17,133
Carbon Tax	1,366	(1,366)	-	-	-
<b>TOTAL</b>	<b>19,352</b>	<b>(344)</b>	<b>(300)</b>	<b>-</b>	<b>18,708</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 1.715% and 2.500% per annum and Bond Yields of between 1.570% and 2.580% per annum over a 12 year period;
- All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at May 2016;
- Workers Compensation Claim payments projected into the future by the adopted actuarial model will be in "standardised" values as at May 2016; 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 2016 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.



## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

		Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
\$ '000	Notes		
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	3,930	5,988
<b>Balances as per Statement of Cash Flows</b>		<b>3,930</b>	<b>5,988</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
Net Operating Result from Income Statement		40,314	22,149
<b>Add:</b>			
Depreciation and Amortisation		13,782	15,653
Revaluation Decrement		205	-
Increase in Provision for Doubtful Debts		10	53
Decrease in Other Current Assets		412	274
Decrease in Inventories		-	-
Increase in Payables		4,967	150
Increase in Provision for Leave Entitlements		-	614
Increase in Other Provisions		-	475
Increase in Other Current Liabilities		2,414	1,431
Unwinding of Discount Rates on Reinstatement Provisions		846	922
Fair Value Adjustments to Investment Property		-	-
Fair Value Adjustments to Financial Assets through Profit and Loss		-	-
		62,950	41,721
<b>Less:</b>			
Increase in Receivables		(15,508)	(1,902)
Decrease in Provision for Doubtful Debts		-	-
Increase in Inventories		(1,090)	(811)
Increase in Other Current Assets		-	-
Increase in Equity Share in Joint Venture		-	-
Decrease in Payables		-	-
Decrease in Provision for Leave Entitlements		(4)	-
Decrease in Other Provisions		(1,490)	-
Non Cash Contributions		-	(3,599)
Prior Period Error		-	-
Gain on Disposal of Assets		(7,462)	(1,777)
Fair Value Adjustments to Investment Property		(75)	(25)
Fair Value Adjustments to Financial Assets through Profit and Loss		(13)	(23)
<b>NET CASH PROVIDED FROM/(USED IN)</b>			
<b>OPERATING ACTIVITIES from CASH FLOW STATEMENT</b>		<b>37,308</b>	<b>33,584</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

	Actual	Actual
	1 July 2015	1 July 2014
\$ '000	- 12 May 2016	- 30 June 2015
Notes		
<b>(c) Non-Cash Investing &amp; Financing Activities</b>		
Non Cash Contributions - Land	1,953	3,599
	<b>1,953</b>	<b>3,599</b>
<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	750	750
	<b>1,400</b>	<b>1,400</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 State Insurance Regulatory Authority with a bank guarantee for \$750,000 (2015 \$0.75m) to meet this requirement.

Kimbriki Environmental Enterprises Pty Ltd has provided a Bank Guarantee in the amount of \$1,000,000 to the Environmental Protection Authority as a condition to the granting of a licence to Operate a dry waste facility. The amount may be drawn down by the authority if licence conditions are not met. It is not expected that this amount will be drawdown.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 12 COMMITMENTS FOR EXPENDITURE

\$ '000	Notes	Actual 12 May 2016	Actual 30 June 2015
<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		17,358	17,964
- Plant & Equipment		-	-
- Office Equipment		-	-
- Other Structures		4,893	620
- Infrastructure		2,204	908
<b>Total</b>		<b>24,455</b>	<b>19,493</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		2	3
- Later than one year and not later than 5 years		-	1
- Later than 5 years		-	-
<b>Total</b>		<b>2</b>	<b>4</b>
Minimum Lease Payments		2	4
less: Future Finance Charges		-	-
<b>Lease Liability</b>		<b>2</b>	<b>4</b>
Representing lease liabilities			
- Current Liabilities		2	3
- Non-Current Liabilities		-	1
<b>Total</b>		<b>2</b>	<b>4</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		209	232
- Later than one year and not later than 5 years		214	383
- Later than 5 years		-	-
<b>Total</b>		<b>423</b>	<b>615</b>
<b>Description of Leases</b>			
Information Technology Equipment Leases due to expire 2019			
<b>(d) Repairs and Maintenance: Investment Property</b>			
Contractual Obligations for future repairs and maintenance		-	-
<b>Total</b>		<b>-</b>	<b>-</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 13 STATEMENT OF PERFORMANCE MEASURES - CONSOLIDATED RESULTS

	Amounts	Indicator		
	12 May	12 May	30 June	31 June
\$ '000	2016	2016	2015	2014
<b>1. Operating Performance</b>				
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions less operating expenses	22,336	13.89%	3.68%	3.59%
Operating Revenue <sup>1</sup> excluding Capital Grants and Contributions	160,826			
<b>2. Own Source Operating Revenue</b>				
Total continuing operating revenue <sup>1</sup> less all grants and contributions	152,652	89.03%	86.80%	92.85%
Total continuing operating revenue <sup>1</sup> inclusive of capital grants and contributions	171,459			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions	101,015	3.77x	3.43x	3.57x
Current Liabilities less Specific Purpose Liabilities	26,759			
<b>4. Debt Service Cover Ratio</b>				
Operating Results <sup>1</sup> before capital excluding interest and depreciation/impairment/amortisation (EBTDA)	36,964	43.54x	23.53x	17.76x
Principal repayments (from the statement of cash flows) plus borrowing interest costs (from the income statement)	849			
<b>5. Rates and Annual Charges Outstanding Percentage</b>				
Rates and Annual Charges Outstanding	18,562	18.38%	3.04%	2.98%
Rates and Annual Charges Collectible	100,006			
<b>6. Cash Expense Cover Ratio</b>				
Current period's cash and cash equivalents + term deposits	95,110	9.16 months	7.15 months	7.55 months
Payments from cash flow of operating and financing activities	10,381			

## 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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 14 INVESTMENT PROPERTIES

\$ '000	Notes	Actual 12 May 2016	Actual 30 June 2015
<b>At Fair value</b>			
Opening Balance at 1 July		1,825	1,800
Acquisitions		-	-
Capitalised subsequent expenditure		-	-
Classified as held for sale or disposals		-	-
Net gain (loss) from fair value adjustment		75	25
Transfer (to) from inventories and owner occupied property		-	-
<b>Closing Balance at 30 June</b>		<b>1,900</b>	<b>1,825</b>
<b>(a) Amounts recognised in profit and loss for investment property</b>			
Rental income		132	145
Net gain (loss) from fair value adjustment		75	25
Direct operating expenses from property that generated rental income		(7)	(7)
Direct operating expenses from property that did not generate rental income		-	-
		<b>200</b>	<b>163</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		191	143
Later than 1 year but less than 5 years		230	406
Later than 5 years		-	-
<b>Total Minimum Lease Payments Receivable</b>		<b>421</b>	<b>549</b>

**Note:**

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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## 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:

	Carrying Value		Fair Value	
	12 May 2016	30 June 2015	12 May 2016	30 June 2015
<b>\$'000</b>				
<b>Financial Assets</b>				
Cash and Cash Equivalents	4,287	5,988	4,287	5,988
Receivables	24,866	9,916	24,866	9,916
Financial Assets at Fair value through profit or loss - Held for Trading	1,079	1,158	1,079	1,158
Held-to-Maturity Investments	91,180	77,382	91,180	77,382
<b>Total Financial Assets</b>	<b>121,412</b>	<b>94,444</b>	<b>121,412</b>	<b>94,444</b>
<b>Financial Liabilities</b>				
Payables	37,983	16,937	37,983	16,937
Borrowings	2	5	2	5
<b>Total Financial Liabilities</b>	<b>37,985</b>	<b>16,942</b>	<b>37,985</b>	<b>16,942</b>

## Note:

Refer to Note 27 for fair value information.

Cash and Cash Equivalents are not measured at Fair Value

## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

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.

#### (a) Market risk - price risk and interest rate risk

The impact on result for the period 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	2016	2015
Impact of a 10% <sup>(1)</sup> movement in price of Investments		
- Equity	108	116
- Income Statement <sup>(2)</sup>	108	116
Impact of a 1% <sup>(1)</sup> movement in Interest Rates on Cash and Investments		
- Equity	965	845
- Income Statement <sup>(2)</sup>	965	845

#### 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.



## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 15 FINANCIAL RISK MANAGEMENT (continued)

## (b) Credit risk

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:

	12 May 2016	30 June 2015
<b>\$'000</b>		
Percentage of Rates and Annual Charges		
- Current	-	-
- Overdue	100%	100%
Analysis of overdue debts		
Less than 1 year	1,681	1,681
1 to 2 years	402	402
2 to 5 years	245	245
Greater than 5 years	277	277
	<b>2,606</b>	<b>2,606</b>
Percentage of Other Receivables		
- Current	80%	80%
- Overdue	20%	20%
Analysis of overdue debts		
0 - 30 days overdue	3,619	3,619
30 - 60 days overdue	729	729
60 - 90 days overdue	197	197
90 days + overdue	493	493
	<b>5,038</b>	<b>5,038</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 15 FINANCIAL RISK MANAGEMENT (continued)

\$ '000

## (c) Liquidity risk

Payables & 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>At 12 May 2016</b>					
Payables	22,405	-	-	22,405	22,410
Borrowings	2	-	-	2	2
<b>Total Financial Liabilities</b>	<b>22,407</b>	<b>-</b>	<b>-</b>	<b>22,407</b>	<b>22,412</b>
<b>At 30 June 2015</b>					
Payables	16,936	-	-	16,936	16,936
Borrowings	3	2	-	5	5
<b>Total Financial Liabilities</b>	<b>16,939</b>	<b>2</b>	<b>-</b>	<b>16,941</b>	<b>16,941</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:

	12 May 2016		30 June 2015	
	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.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 16 MATERIAL BUDGET VARIATIONS

Council's Original Financial Budget for 2015/16 was incorporated as part of its Community Strategic Plan and was adopted by the Council on 26 May 2015.

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	2016 Budget	2016 Actual	2016 Variance		
<b>REVENUES</b>					
Rates & Annual Charges	97,676	97,741	65	0%	<b>F</b>
User Charges & Fees	37,973	40,774	2,801	7%	<b>F</b>
Interest & Investment Revenue	2,179	2,613	434	20%	<b>F</b>
This variance is due to overall higher than expected Cash & Investments as a result of lower than budgeted capital expenditure, the timing of the receipt of funds relating to the settlement of the sale of 23-29 Pacific Parade Dee Why and higher s94 A contributions.					
Other Revenues	9,814	11,613	1,799	18%	<b>F</b>
This variance is in a range of areas including recycling income and sales for Kimbriki, property lease income, parking and other fines, theatre patronage and sales, legal fee recoveries and insurance rebates and improved waste performance payments.					
Operating Grants & Contributions	6,949	8,174	1,225	18%	<b>F</b>
Capital Grants & Contributions	3,507	10,633	7,126	203%	<b>F</b>
This variance is principally due to significantly higher s94A developer contributions as well as contributions related to the transfer of land by Crown Lands at fair value.					
Net Gains on the Disposal of Assets	8,071	7,462	(609)	(8%)	<b>U</b>
This principally relates to they earlier than expected settlement of the sale of part of the property at Sturdee and Pacific Parades, Dee Why.					
Share of Net Gain - Joint Ventures & Associates	-	-	-	-	-
<b>EXPENSES</b>					
Employee Benefits & On-Costs	55,714	54,292	1,422	3%	<b>F</b>
Borrowing Costs	1,183	846	337	28%	<b>F</b>
This variance is principally due to the loan for the construction of the access road at Kimbriki not being required before the next financial year.					
Materials & Contracts	51,522	50,004	1,518	3%	<b>F</b>
Depreciation & Amortisation	13,926	13,782	144	1%	<b>F</b>
Other Expenses	18,355	19,771	(1,416)	(8%)	<b>U</b>
Share of Net Loss - Joint Ventures & Associates	-	-	-	-	-

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS

\$ '000

Council recovers contributions, raises levies & 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 &amp; LEVIES

PURPOSE	Opening Balance	Contributions received during the Period		Interest earned during period	Exp during period	Internal Borrowing during the period	Held as Restricted Asset	Projections			Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding			
Traffic Facilities	797	-	-	18	(406)	-	409	-	(409)	-	-	-
Parking	2,080	-	-	10	(2,091)	-	(1)	-	1	-	-	-
Open Space	12,152	-	-	313	(843)	(65)	11,557	-	(11,557)	-	-	-
Community Facilities	1,611	1	-	12	(1,667)	43	-	-	-	-	-	-
<b>S94 Contributions - under a Plan</b>	<b>16,640</b>	<b>1</b>	<b>-</b>	<b>353</b>	<b>(5,007)</b>	<b>(22)</b>	<b>11,965</b>	<b>-</b>	<b>(11,965)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>5,245</b>	<b>5,179</b>	<b>-</b>	<b>180</b>	<b>(1,515)</b>	<b>22</b>	<b>9,111</b>	<b>10,000</b>	<b>(19,111)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>21,885</b>	<b>5,180</b>	<b>-</b>	<b>533</b>	<b>(6,522)</b>	<b>-</b>	<b>21,076</b>	<b>10,000</b>	<b>(31,076)</b>	<b>-</b>	<b>-</b>	<b>-</b>
S94 not under Plans	716	-	-	-	-	-	716	-	(716)	-	-	-
<b>Total Contributions</b>	<b>22,601</b>	<b>5,180</b>	<b>-</b>	<b>533</b>	<b>(6,522)</b>	<b>-</b>	<b>21,792</b>	<b>10,000</b>	<b>(31,792)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Land	(716)	-	-	-	-	-	(716)	-	716	-	-	-
<b>Total Cash Contributions</b>	<b>21,885</b>	<b>5,180</b>	<b>-</b>	<b>533</b>	<b>(6,522)</b>	<b>-</b>	<b>21,076</b>	<b>10,000</b>	<b>(31,076)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS (continued)

\$ '000

## S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Period		Interest earned during period	Exp during period	Internal Borrowing during the period	Held as Restricted Asset	Projections			
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Traffic Facilities	797			18	(406)		409	-	(409)	-	-
Parking	2,080			10	(2,091)		(1)	-	1	-	-
Open Space	12,152			313	(843)	(65)	11,557	-	(11,557)	-	-
Community Facilities	1,611	1		12	(1,667)	43	-	-	-	-	-
<b>Total</b>	<b>16,640</b>	<b>1</b>	<b>-</b>	<b>353</b>	<b>(5,007)</b>	<b>(22)</b>	<b>11,965</b>	<b>-</b>	<b>(11,965)</b>	<b>-</b>	<b>-</b>

## S94A LEVIES - UNDER A PLAN

## CONTRIBUTION PLAN

PURPOSE	Opening Balance	Contributions received during the Period		Interest earned during period	Exp during period	Internal Borrowing during the period	Held as Restricted Asset	Projections			
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Other	5,245	5,179	-	180	(1,515)	22	9,111	10,000	(19,111)	-	-
<b>Total</b>	<b>5,245</b>	<b>5,179</b>	<b>-</b>	<b>180</b>	<b>(1,515)</b>	<b>22</b>	<b>9,111</b>	<b>10,000</b>	<b>(19,111)</b>	<b>-</b>	<b>-</b>

## S94 LEVIES - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Period		Interest earned during period	Exp during period	Internal Borrowing during the period	Held as Restricted Asset	Projections			
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Land	716	-	-	-	-	-	716	-	(716)	-	-
<b>Total</b>	<b>716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>716</b>	<b>-</b>	<b>(716)</b>	<b>-</b>	<b>-</b>

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## 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 liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

## CONTINGENT LIABILITIES

## 1. Guarantees

## (i) Defined Benefit Superannuation Contribution Plans

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 is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the period ending 12 May 2016 was \$853,754. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016, and covers the year ended 30 June 2015. Whilst this valuation is based on a different date from the reporting period end, Council has determined that the impact of using this valuation would not be materially different from a valuation performed at 12 May 2016.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2016 (used for the reporting period ended 12 May 2016), a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$509,382. Council's expected contributions to the plan for the next annual reporting period is \$810,342

The share of this deficit, that is broadly attributed to Council, is estimated to be in the order of \$637,946 as at 30 June 2016 (used for the reporting period ended 12 May 2016).

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a

## (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years. The future realisation and finalisation of claims incurred but not reported to 12 May 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 \$750,000 to secure its self-insurance license for Workers Compensation. The guarantee is provided to the State Insurance Regulatory Authority.

## (iv) Other Guarantees

Kimbriki Environmental Enterprises Pty Ltd has provided a Bank Guarantee in the amount of \$1,000,000 to the Environmental Protection Authority as a condition to the granting of a licence to Operate a dry waste facility. The amount may be drawn down by the authority if licence conditions are not met. It is not expected that this amount will be drawn down.

## 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).

## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

#### NOTE 18 CONTINGENCIES (Continued)

##### (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 did not have notice of any appeals against planning decisions made prior to reporting date.

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.

#### 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. Council's Revenue Recognition policy for such income is to account for it as revenue on receipt. Accordingly, at Year End, there is a potential asset due to Council not recognising 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.



## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

#### NOTE 19 INTERESTS IN OTHER ENTITIES

##### Interests in subsidiaries

###### (a) Composition of the Group

	Principal place of business	Percentage Owned % 12 May 2016 2016	Percentage Owned % 30 June 2015 2015
<b>Subsidiaries</b>			
Kimbriki Environmental Enterprises Pty Limited	Kimbriki Road, Ingleside, NSW	51%	51%

The percentage ownership interest held is equivalent to the percentage voting rights.

The financial position and performance Kimbriki Environmental Enterprises Pth Ltd is for the financial period ended 12 May 2016.

###### Controlled entities with ownership interest of 50% or less

Council does not have any subsidiaries with an ownership interest of less than 50%.

###### (b) Significant restrictions relating to subsidiaries

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

The Shareholder Agreement requires that a Super Majority Consent of Shareholders (majority shareholder plus one other shareholder) is required for the following decisions:

- any decision of the company to require the Councils to subscribe for further Shares to fund the continuing operation of the Company.
- any decision of the shareholders in relation to any of the following matters:
  - o any lease of the Kimbriki Facility from Warringah;
  - o any call offer in favour of Warringah to purchase the Kimbriki Residential Properties (assuming the Company acquires them); and
  - o any Collection Contract between the Company and Warringah Council.

Further, an Extraordinary Majority Consent of Shareholders (majority shareholder plus two other shareholders) is required for any decision relating to:

- Constitution amendment: any amendment to the constitution documents of the Company;
- Liquidation: the liquidation of winding up of the Company;
- Capital reorganisation: any reorganisation, reclassification, reconstruction, consolidation or subdivision of the capital of the Company, including any buyback or redemption of Shares, or the creation of any different class of marketable securities in the capital of the Company;
- Significant investments: any agreement by the Company to purchase any asset, make any investment or otherwise commit to a project with a value in a single case, or any number of cases with the same vendor or other contracting party (or person associated with them) in any year with an aggregate value, exceeding \$2,500,000;
- Bonus issue: the issue of any bonus shares in the capital of the Company; and
- Share offers: any issue of marketable securities in the capital of the Company, except where this agreement expressly permits otherwise.

## The former Warringah Council NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

### NOTE 19 INTERESTS IN OTHER ENTITIES (continued)

#### (c) Subsidiaries with material Non-Controlling Interests (NCI)

	Kimbriki Environmental Enterprises Pty Limited	
	12 May 2016	30 June 2015
% Ownership held by NCI	49%	49%
	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) allocated to NCI	2,398	1,952
Accumulated NCI of subsidiaery	12,879	9,608
Dividends paid to NCI	781	394
<b>Summarised statement of financial position</b>		
Current assets	22,488	22,133
Non-current assets	11,625	7,265
Current liabilities	7,164	5,307
Non-current liabilities	4,037	4,480
Net assets	22,912	19,611
<b>Summarised statement of profit and loss and other comprehensive income</b>		
Revenue	32,567	31,990
Profit/(Loss)	4,894	3,983
Total Comprehensive Income	4,894	3,983
<b>Summarised statement of cash flows</b>		
Cash flows from operating activities	7,207	5,573
Cash flows from investing activities	(4,791)	(1,831)
Cash flows from financing activities	(1,593)	(804)
Net increase / (decrease) in cash and cash equivalents	824	2,938

#### (d) Consequences of changes in a Council's ownership interest in a subsidiary that do not result in a loss of control

##### Disposal of ownership interest

Council did not dispose of any ownership interest in a subsidiary during the period.

##### Acquisition of ownership interest

Council did not acquire additional ownership interest in a subsidiary during the period.

#### Interests in Joint Arrangements

Council was not involved in any joint arrangements during the period.

#### Interests in Associates

Council does not have any interests in associates.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 20 RETAINED EARNINGS, REVALUATION RESERVES, CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

\$ '000	Notes	Actual 12 May 2016	Actual 30 June 2015
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of period		2,369,146	2,348,784
Adjustment to correct Prior Period Errors	20d	-	-
Adjustment for Changes in Accounting Policies	20e	-	-
Transfer from Revaluation Reserve		480	165
Net Operating Result for the period		38,588	20,197
<b>Balance at end of period</b>		<b>2,408,214</b>	<b>2,369,146</b>
<b>(b) Reserves</b>			
Infrastructure, Property, Plant & Equipment Revaluation Reserve		507,641	492,193
<b>Total</b>		<b>507,641</b>	<b>492,193</b>
<b>Movements</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
Balance at beginning of period		492,193	144,312
Adjustment to correct Prior Period Errors	20d	-	-
Disposal		-	-
Transfer to Retained Earnings on disposal		(480)	(165)
Revaluations for the period	9a	15,928	348,046
<b>Balance at end of period</b>		<b>507,641</b>	<b>492,193</b>

**(c) Nature and Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets.

## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

#### NOTE 21 RESULTS BY FUND

Council does not have any Water or Sewer Funds.

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

	Actual 12 May 2016	Actual 30 June 2015
\$ '000		
Land	9,632	7,776
Buildings	75	373
<b>Total Non-Current Assets Held for Sale</b>	<b>9,707</b>	<b>8,149</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.

## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

#### NOTE 23 EVENTS OCCURRING AFTER REPORTING DATE

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, Warringah Council's operations would be amalgamated with Pittwater Council and Manly Council into a new council Northern Beaches Council. The proclamation automatically transfers the assets, rights, and liabilities of Warringah Council to Northern Beaches Council on 13 May 2016. The proclamation ensures that any reference in any document to Warringah Council is to be read as a reference to Northern Beaches Council, and that anything done by Warringah Council before the amalgamation is taken to have been done by Northern Beaches Council. These clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts). This ensures the general business and operations of former councils are preserved, including contracts and services. These financial statements have been drawn up to reflect the closing financial position

Events that occur after the reporting date of 12 May 2016, 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 23 November 2016.

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 12 May 2016.

##### (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 12 May 2016 and which are indicative of conditions that arose after 12 May 2016.

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 12 May 2016	Actual 30 June 2015
At Cost		3,963	3,403
Accumulated Amortisation & Impairment		-	-
<b>Net Book Amount</b>		<b>3,963</b>	<b>3,403</b>
<b>Movements for the period</b>			
Opening Net Book Amount		3,403	2,595
Additions - internal development		560	808
Amortisation Charge		-	-
<b>Closing Net Book Amount <sup>(1)</sup></b>		<b>3,963</b>	<b>3,403</b>

##### Notes:

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

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## 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	Actual
		12 May 2016	30 June 2015
At beginning of reporting period		16,287	15,365
Amounts capitalised to Tip asset			
Revised Costs		-	-
Amortisation of discount - expensed to borrowing costs		846	922
<b>At end of reporting period</b>		<b>17,133</b>	<b>16,287</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, eg 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.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## 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

2016	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	-	1,079	1,079
<b>Investment Properties</b>				
Commercial Office and Retail	14	-	1,900	1,900
<b>Infrastructure, Property, Plant and Equipment</b>				
Plant & Equipment	9	-	5,127	5,127
Office Equipment	9	-	2,330	2,330
Furniture & Fittings	9	-	235	235
Plant & Equipment – Leased	9	-	2	2
Operational Land	9	-	145,513	145,513
Community Land	9	-	1,447,269	1,447,269
Land Under Roads	9	-	3,665	3,665
Land Improvements - Depreciable	9	-	-	-
Buildings – Non Specialised	9	-	148,974	148,974
Buildings – Specialised	9	-	53,881	53,881
Other Structures	9	-	59,623	59,623
Roads	9	-	399,398	399,398
Bridges	9	-	6,946	6,946
Footpaths	9	-	40,308	40,308
Drainage Infrastructure	9	-	439,965	439,965
Swimming Pools	9	-	11,339	11,339
Other Open Space/Recreational Assets	9	-	50,614	50,614
Library Books	9	-	1,628	1,628
Tip Remediation	9	-	9,776	9,776
Total		-	2,829,572	2,829,572

## The former Warringah Council

**NOTES TO THE FINANCIAL STATEMENTS**

for the period 1 July 2015 to 12 May 2016

**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 12 May 2016 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 preserved 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 preserved 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.



## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

#### 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. 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. The last valuation was undertaken at 12 May 2016.

##### 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. The last valuation was undertaken at 12 May 2016.

##### Buildings – Non specialised and Specialised

Buildings were valued by APV Valuers and Asset Management in June 2015 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 preserved 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.

##### Other Structures

This asset class comprises boardwalks, boat ramps, viewing platforms, tennis shelters, floodlighting systems, skate facilities, irrigation systems, jetties, pedestrian bridges, water tanks, retaining walls and seawalls. Other Structures were valued by APV Valuers and Asset Management in June 2015 using the cost approach. The cost approach estimated the replacement cost for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, preserved 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.

##### Roads

This asset class comprises the road carriageway, bus shelters, car parks, 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. Road Assets were valued by APV Valuers and Asset Management in June 2015 using the cost approach utilising the detailed pavement information residing in Council's Pavement Management System - "PARMMS® Road Manager" (PMS).

The cost approach was utilised with inputs such as estimates of pattern of consumption, preserved 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.

## The former Warringah Council

### NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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

##### Bridges

Bridges were valued by APV Valuers and Asset Management in June 2015 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 preserved 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 APV Valuers and Asset Management in June 2015 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

Drainage infrastructure was valued by APV Valuers and Asset Management in June 2015 using the cost approach. 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, preserved 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 the swimming pools at Council's aquatic centre and rock pools. The indoor pool at the aquatic centre was valued by APV Valuers and Asset Management as part of the Building Assets valuation in June 2015 using the cost approach, while the outdoor pools at the aquatic centre and rock pools were valued by APV Valuers and Asset Management as part of the Other Structures Assets valuation in June 2015 using the cost approach. 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.

Inputs such as estimates of the pattern of consumption, preserved 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.

##### Other Open Space/Recreational Assets

Assets within this class comprise tennis courts and fencing, synthetic turf surfaces, barbeques, pathways, stairs and paving, retaining walls and playground equipment which were valued by APV Valuers and Asset Management (APV) in June 2015 using the cost approach.

Inputs such as estimates of the pattern of consumption, preserved 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.

##### 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 preserved value. There has been no change to the valuation process during the reporting period.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 27 FAIR VALUE MEASUREMENT (continued)

**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>2016 \$'000</b>
Balance at 1 July	2,808,789
<b>Total gains or losses for the year</b>	-
Recognised in profit or loss - realised	7,332
Recognised in profit or loss – unrealised	13
<b>Other movements</b>	-
Purchases	21,998
Sales	(9,243)
Depreciation	(13,782)
Transfer to Non-Current Assets Held for Resale	(2,239)
Other Movements	981
Revaluations	15,723
Transfers into Level 3	-
Transfers out of Level 3	-
Balance as at 12 May	<b>2,829,572</b>

There are no transfers identified in the table above.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## 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	1,079	<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	1,900	<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	7,692	<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 affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Plant & Equipment Leased	2	<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	145,513	<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	1,447,269	<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	3,665	<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	-	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Buildings	202,855	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Other Structures	59,623	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.

## The former Warringah Council

## NOTES TO THE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

## NOTE 27 FAIR VALUE MEASUREMENT (continued)

Asset / Liability category	Carrying amount (at fair value) \$'000	Key unobservable inputs*	Expected range of inputs	Description of how changes in inputs will affect the fair value
Roads	399,398	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Bridges	6,946	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Footpaths	40,308	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Drainage Infrastructure	439,965	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Swimming Pools	11,339	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Other Open Space/Recreational Assets	50,614	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life or would result in significant changes to fair value measurement.
Library Books	1,628	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Asset Condition</li> <li>Remaining useful life</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> </ul>	Significant changes in the gross replacement value, asset condition, pattern of consumption affecting the remaining useful life would result in significant changes to fair value measurement.
Tip Remediation	9,776	<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.

## The former Warringah Council

**NOTES TO THE FINANCIAL STATEMENTS**

for the period 1 July 2015 to 12 May 2016

**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.

## The former Warringah Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

## INDEPENDENT AUDITORS' REPORT

FOR THE PERIOD ENDED 12 MAY 2016

<p><b>REPORT ON THE FINANCIAL STATEMENTS</b></p> <p>We have audited the accompanying general purpose financial statements of the former Warringah Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period 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.</p> <p><b>Responsibility of Council for the Financial Statements</b></p> <p>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.</p> <p><b>Auditors' Responsibility</b></p> <p>Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.</p> <p>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.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriately 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>Auditor's Opinion</b></p> <p>In our opinion,</p> <ul style="list-style-type: none"> <li>(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</li> <li>(b) the financial statements: <ul style="list-style-type: none"> <li>(i) have been presented in accordance with the requirements of this Division;</li> <li>(ii) are consistent with the Council's accounting records;</li> <li>(iii) present fairly the Council's financial position, the results of its operations and its cash flows; and</li> <li>(iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.</li> </ul> </li> <li>(c) all information relevant to the conduct of the audit has been obtained; and</li> <li>(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.</li> </ul> <p><b>HILL ROGERS</b></p>  <p><b>BRETT HANGER</b> Partner</p> <p>Dated at Sydney this 23<sup>th</sup> day of November 2016</p>
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## The former Warringah Council

## INDEPENDENT AUDITORS' REPORT

23 November 2016

The Administrator  
Northern Beaches Council  
725 Pittwater Road  
DEE WHY NSW 2099

**Audit Report - Period Ended 12 May 2016**

We are pleased to advise completion of the audit of the former Warringah Council's books and records for the period ended 12 May 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General 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, the Local Government Code of Accounting Practice and Financial Reporting, and Office of Local Government pronouncements up to the date of this report.

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 PERIOD****1.1 Operating Result**

The operating result for the period was a surplus of \$38.588 million as compared with \$20.197 million in the previous year.

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

	2016 \$000	% of Total	2015 \$000	% of Total	Increase (Decrease) \$000
<b>Revenues before capital items</b>					
Rates & annual charges	97,741	58%	96,578	59%	1,163
User charges, fees & other revenues	59,848	36%	54,979	34%	4,869
Grants & contributions provided for operating purposes	8,174	5%	8,912	5%	(738)
Interest & investment revenue	2,613	2%	3,305	2%	(692)
	<b>168,376</b>	<b>100%</b>	<b>163,774</b>	<b>100%</b>	<b>4,602</b>
<b>Expenses</b>					
Employee benefits & costs	54,292	39%	62,366	40%	(8,074)
Materials, contracts & other expenses	69,775	50%	77,016	49%	(7,241)
Depreciation, amortisation & impairment	13,782	10%	15,653	10%	(1,871)
Borrowing costs	846	1%	951	1%	(105)
	<b>138,695</b>	<b>100%</b>	<b>155,986</b>	<b>100%</b>	<b>(17,291)</b>
<b>Surplus (Deficit) before capital items</b>	<b>29,681</b>		<b>7,788</b>		<b>21,893</b>
Grants & contributions provided for capital purposes	10,633		14,361		(3,728)
<b>Surplus before non-controlling interests</b>	<b>40,314</b>		<b>22,149</b>		<b>18,165</b>
Attributable to non-controlling interests	(1,726)		(1,952)		226
<b>Net Surplus (Deficit) for the period</b>	<b>38,588</b>		<b>20,197</b>		<b>18,391</b>
<b>Performance Measures</b>	<b>2016</b>		<b>2015</b>		
Operating Performance	13.89%		3.68%		
Own Source Operating Revenue	89.03%		86.80%		

The above table shows an overall increase of \$18.391 million from the previous year. The increase in the result for the current period is due to recognising expenses for a 45 week period compared with an annual comparative period.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 13.89% 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 2016, this indicator was 89.03% and exceeded the benchmark of 60%.

**1.2 Funding Result**

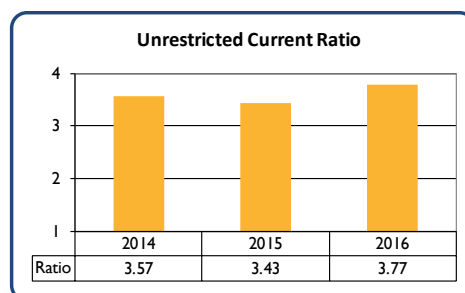
As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the period which is illustrated in the table below.

	2016 \$000	2015 \$000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>38,588</b>	<b>20,197</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	13,782	15,653
- Revaluation decrements (fair valuation of I,P,P&E)	205	0
- Book value of non-current assets sold	1,689	1,650
- Non-cash contributions of assets acquired	(1,953)	(3,599)
- (Gain)/Loss of fair value to investment properties	(75)	(25)
	<b>52,236</b>	<b>33,876</b>
Decrease/Redemption of non-current Investments	79	2,125
Increase in minority interests	945	1,558
Net Changes in current/non-current assets & liabilities	1,177	2,167
	<b>54,437</b>	<b>39,726</b>
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(31,498)	(35,964)
Finance lease instalments	(3)	(8)
Transfers to externally restricted assets (net)	(1,183)	(978)
Transfers to internal reserves (net)	(1,500)	(191)
	<b>(34,184)</b>	<b>(37,141)</b>
<b>Increase/(Decrease) in Available Working Capital</b>	<b>20,253</b>	<b>2,585</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 in the next financial period, net current assets amounted to \$74.256 million representing a factor of 3.77 to 1.





## The former Warringah Council

## INDEPENDENT AUDITORS' REPORT

## 2.2 Available Working Capital – (Working Funds)

At the close of the period the Available Working Capital of Council stood at \$71.288 million as detailed below;

	2016 \$000	2015 \$000	Change \$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>92,298</b>	<b>69,550</b>	<b>22,748</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	10,745	10,387	358
Adjusted Net Current Assets	103,043	79,937	23,106
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	2	3	(1)
- Employees leave entitlements	5,640	6,250	(610)
- Self insurance claims	346	371	(25)
- Other provisions	0	0	0
- Deposits & retention moneys	1,680	1,214	466
<b>Less:</b> Externally restricted assets	(28,787)	(27,604)	(1,183)
<b>Less:</b> Internally restricted assets	(10,636)	(9,136)	(1,500)
<b>Available Working Capital as at 12 May</b>	<b>71,288</b>	<b>51,035</b>	<b>20,253</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 12 May 2016 was sound.

## 2.3 Debt

At 12 May 2016, the only debt Council owed was a finance lease liability of \$2,000.

## 2.4 Summary

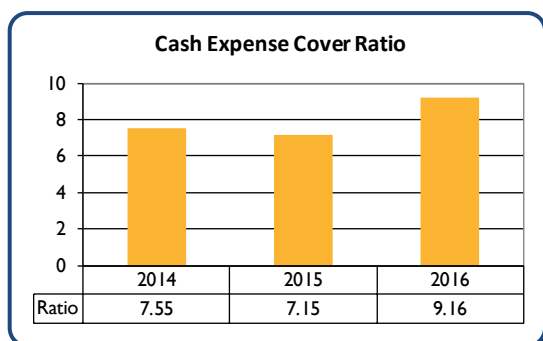
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

## 3. CASH ASSETS

## 3.1 Cash Expense Cover Ratio

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

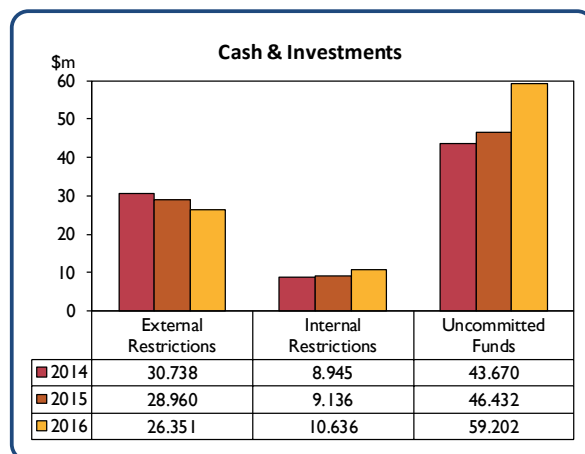
For 2016, this ratio stood at 9.16 months compared to the benchmark of 3.



## 3.2 Cash &amp; Investment Securities

Cash and investments amounted \$96.189 million at 12 May 2016 as compared with \$84.528 million at 30 June 2015 and \$83.353 million in 2014.

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 (\$21.076 million), domestic waste management charges (\$3.215 million) and specific purpose grants and contributions (\$1.860 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$10.636 million and their purposes are more fully disclosed in Note 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$59.202 million, which is available to provide liquidity for day to day operations.

## 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the period and reveals that cash decreased by \$2.058 million to \$3.930 million at 12 May 2016.

In addition to operating activities which contributed net cash of \$35.355 million were the proceeds from the sale of investment securities (\$163.556 million) and sale of assets (\$9.151 million). Cash outflows other than operating activities were used to purchase investment securities (\$177.262 million), pay finance lease instalments (\$3,000), pay dividends to minority interests in Kimbriki Environmental Enterprises Pty Limited (\$781,000) and to purchase and construct assets (\$32.074 million).

## The former Warringah Council

## INDEPENDENT AUDITORS' REPORT

## 4. RECEIVABLES

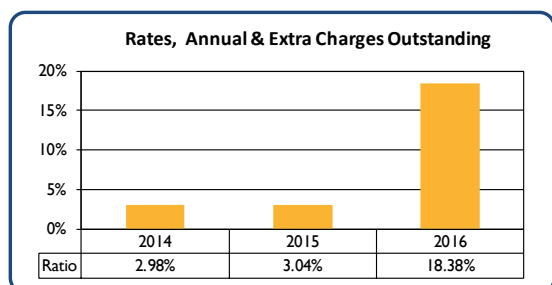
## 4.1 Rates &amp; Annual Charges (excluding interest &amp; extra charges)

Net rates and annual charges levied during the period totalled \$97.741 million and represented 55% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$100.347 million of which \$82.231 million (82%) was collected, noting that the final rates instalment issued for the period was not due until after balance date.

## 4.2 Rates, Annual &amp; Extra Charges

Arrears of rates, annual and extra charges stood at \$18.562 million at 12 May 2016 and represented 18% of those receivables. This indicator has been adversely impacted Council's amalgamation such that the final rates instalment issued for the period was not due until after balance date.



## 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$7.022 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$170,000.

## 5. PAYABLES

## 5.1 Self Insurance

**Workers Compensation** insurance claims have been actuarially assessed at \$676,000 (2015 - \$773,000). A bank guarantee of \$750,000 is held to cover claims as required by the Workcover Authority of NSW.

**Public Liability & Professional Indemnity** claims payable (up to excess layer) by Council have been actuarially assessed at \$899,000 (2015 - \$926,000) 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 \$14.078 million. Internally restricted cash and investments of \$2.678 million was held representing 19% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

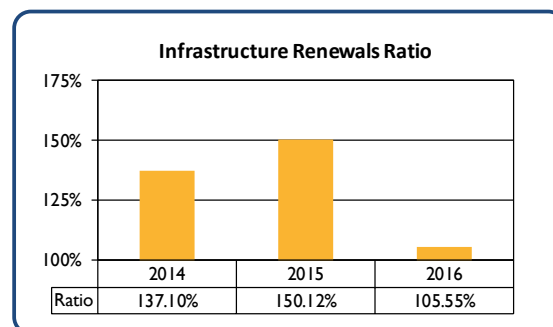
## 5.3 Deposits, Retentions &amp; Bonds

Deposits, retentions and bonds held at year end amounted to \$5.3 million and were fully funded by internally restricted cash and investments.

## 6. BUILDING AND INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2016 represented 106% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. REVALUATION OF ASSETS

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

During the period, community land and land under roads were revalued. This resulted in a net increase of \$15.928 million that was credited directly to Equity. Notes 1(l) and 9 of the financial statements provide further details.

## 8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 10 February 2016. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

## 9. 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.

Yours faithfully,  
**HILL ROGERS**

**BRETT HANGER**  
Partner

**The former Warringah Council**  
SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the period ended 12 May 2016

## The former Warringah Council

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

for the period ended 12 May 2016

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**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).

**The former Warringah Council**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

for the period ended 12 May 2016

**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 period, 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.

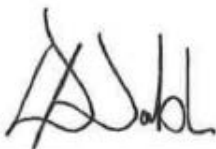
Signed in accordance with a resolution of Northern Beaches Council made on 22 November 2016.



Dick Persson  
ADMINISTRATOR



Mark Ferguson  
GENERAL MANAGER



David Walsh  
RESPONSIBLE ACCOUNTING OFFICER

## The former Warringah Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

## INCOME STATEMENT OF COUNCIL'S OTHER BUSINESS ACTIVITIES

for the period ended 12 May 2016

	Children Services		Kimbriki	
	Actual	Actual	Actual	Actual
\$ '000	2016	2015	2016	2015
<b>Income from continuing operations</b>				
Access charges	5,875	6,219	27,572	27,598
User charges	-	-	-	-
Fees	-	-	-	-
Interest	-	-	343	406
Grants and contributions provided for non capital purposes	234	444	1,022	1,018
Profit from the sale of assets	-	-	9	-
Other income	7	16	3,621	2,968
<b>Total income from continuing operations</b>	<b>6,115</b>	<b>6,679</b>	<b>32,567</b>	<b>31,990</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	4,673	4,980	3,909	4,314
Borrowing costs	-	-	-	-
Materials and contracts	1,112	1,298	10,573	10,445
Depreciation and impairment	63	58	440	458
Loss on sale of assets	-	-	-	295
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	58	71	12,750	12,495
<b>Total expenses from continuing operations</b>	<b>5,906</b>	<b>6,406</b>	<b>27,673</b>	<b>28,007</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>209</b>	<b>273</b>	<b>4,894</b>	<b>3,983</b>
Grants and contributions provided for capital purposes	-	-	-	811
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>209</b>	<b>273</b>	<b>4,894</b>	<b>4,794</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>209</b>	<b>273</b>	<b>4,894</b>	<b>4,794</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(63)	(82)	(1,468)	(1,195)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>147</b>	<b>191</b>	<b>3,426</b>	<b>3,599</b>
<b>plus Opening Retained Profits</b>	<b>5,447</b>	<b>4,580</b>	<b>20,422</b>	<b>16,432</b>
<b>plus/less: Prior Period Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>plus/less: Allocation Adjustments related to IPPE &amp; Other Assets</b>	<b>(226)</b>	<b>594</b>	<b>-</b>	<b>-</b>
<b>plus Adjustments for amounts unpaid:</b>				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	63	82	1,468	1,195
<b>add:</b>				
- Subsidy Paid/Contribution To Operations	-	-	-	-
<b>less:</b>				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	(1,593)	(804)
<b>Closing Retained Profits</b>	<b>5,430</b>	<b>5,447</b>	<b>23,723</b>	<b>20,422</b>
Return on Capital %	4.5%	5.9%	63.9%	103.1%
Subsidy from Council	-	-	-	-

## The former Warringah Council

## INCOME STATEMENT OF COUNCIL'S OTHER BUSINESS ACTIVITIES

for the period ended 12 May 2016

	Glen Street Theatre		Construction Certificate Certification	
	Actual	Actual	Actual	Actual
\$ '000	2015	2014	2015	2014
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	-	-	803	310
Fees	885	1,238	-	-
Interest	3	9	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	306	466	-	-
<b>Total income from continuing operations</b>	<b>1,194</b>	<b>1,713</b>	<b>803</b>	<b>310</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	954	1,123	1,304	711
Borrowing costs	-	-	-	-
Materials and contracts	909	1,079	127	62
Depreciation and impairment	93	105	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	98	91	25	2
<b>Total expenses from continuing operations</b>	<b>2,054</b>	<b>2,399</b>	<b>1,456</b>	<b>775</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(860)</b>	<b>(686)</b>	<b>(653)</b>	<b>(465)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(860)</b>	<b>(686)</b>	<b>(653)</b>	<b>(465)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(860)</b>	<b>(686)</b>	<b>(653)</b>	<b>(465)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(860)</b>	<b>(686)</b>	<b>(653)</b>	<b>(465)</b>
plus Opening Retained Profits	3,974	3,273	-	-
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Allocation Adjustments related to IPPE	722	701	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
<b>add:</b>				
- Subsidy Paid/Contribution To Operations	860	686	653	465
<b>less:</b>				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>4,696</b>	<b>3,974</b>	<b>-</b>	<b>-</b>
Return on Capital %	-7.4%	-6.4%	0.0%	0.0%
Subsidy from Council	860	686	653	465

## The former Warringah Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

## BALANCE SHEET OF COUNCIL'S OTHER BUSINESS ACTIVITIES

as at 12 May 2016

	Children Services Category 1		Kimbriki Category 1	
	Actual	Actual	Actual	Actual
\$ '000	2015	2014	2015	2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	2,560	4,403
Investments	-	-	15,680	14,382
Receivables	-	-	2,353	2,541
Inventories	-	-	-	807
Other	-	-	1,895	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>22,488</b>	<b>22,133</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	4,645	4,661	7,662	3,862
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	3,963	3,403
<b>Total Non-Current Assets</b>	<b>4,645</b>	<b>4,661</b>	<b>11,625</b>	<b>7,265</b>
<b>TOTAL ASSETS</b>	<b>4,645</b>	<b>4,661</b>	<b>34,113</b>	<b>29,398</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	-	-	6,477	3,825
Interest bearing liabilities	-	-	-	-
Provisions	-	-	687	671
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>7,164</b>	<b>4,496</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	4,037	3,114
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	1,366
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,037</b>	<b>4,480</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>11,201</b>	<b>8,976</b>
<b>NET ASSETS</b>	<b>4,645</b>	<b>4,661</b>	<b>22,912</b>	<b>20,422</b>
<b>EQUITY</b>				
Retained earnings	5,430	5,447	23,723	20,422
Revaluation reserves	(786)	(786)	-	-
Council equity interest	4,645	4,661	23,723	20,422
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>4,645</b>	<b>4,661</b>	<b>23,723</b>	<b>20,422</b>



## The former Warringah Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

## BALANCE SHEET OF COUNCIL'S OTHER BUSINESS ACTIVITIES

as at 12 May 2016

	Glen Street Theatre		Construction Certificate Certification	
	Category 1		Category 2	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	22	112	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	7	8	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>30</b>	<b>121</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,648	10,679	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>11,648</b>	<b>10,679</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>11,677</b>	<b>10,800</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	1,188	1,033	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,188</b>	<b>1,033</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>1,188</b>	<b>1,033</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	<b>10,489</b>	<b>9,767</b>	<b>-</b>	<b>-</b>
<b>EQUITY</b>				
Retained earnings	4,696	3,974	-	-
Revaluation reserves	5,793	5,793	-	-
Council equity interest	10,489	9,767	-	-
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>10,489</b>	<b>9,767</b>	<b>-</b>	<b>-</b>

## The former Warringah Council

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the financial period ended 12 May 2016

## 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. These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2016.

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 \$482,000 of combined land values attracts 0%. From \$432,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, 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 2015 to 12 May 2016.

**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 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.

## The former Warringah Council

# NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

for the financial period ended 12 May 2016

## 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 2.31% at 12 May 2016.

### (iv) Dividends

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

## The former Warringah Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

## INDEPENDENT AUDITORS' REPORT

FOR THE PERIOD ENDED 12 MAY 2016

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of the former Warringah Council, which comprises the Statement of Financial Position as at 12 May 2016, Income Statement for the period 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 Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

## HILL ROGERS



## BRETT HANGER

Partner

Dated at Sydney this 23<sup>rd</sup> day of November 2016

## **The former Warringah Council**

SPECIAL SCHEDULES

for the period ended 12 My 2016

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## The former Warringah Council

### SPECIAL SCHEDULES

for the financial period ended 12 May 2016

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Special Schedule No. 2(b)                      Statement of Internal Loans (Sect. 410(3) LGA 1993)	96
Special Schedule No. 7                      Report on Infrastructure Assets	97

<sup>1</sup> Special Purpose Schedules are not audited.

### 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

## The former Warringah Council

## SPECIAL SCHEDULES

for the financial period ended 12 May 2016

## 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
Function or Activity				
<b>Governance</b>	2,086	3,199	-	1,113
<b>Administration</b>	15,359	34,360	7,935	26,936
<b>Public Order and Safety</b>				
Fire Service Levy, Fire protection, Emergency Services	3,583	755	-	(2,828)
Beach Control	1,767	40	-	(1,726)
Enforcement of Local Govt Regs	1,095	2,640	-	1,546
Animal Control	1	-	-	(1)
Other	-	-	-	-
<b>Total Public Order and Safety</b>	6,446	3,436	-	(3,010)
<b>Health</b>	6,847	6,114	-	(733)
<b>Environment</b>				
Noxious Plants and Insects/ Vermin Control	379	37	-	(342)
Other Environmental Protection	4,922	10,223	50	5,351
Solid Waste Management	44,923	55,610	-	10,687
Street Cleaning	812	5	-	(807)
Drainage	89	112	-	23
Stormwater Management	3,736	134	-	(3,602)
<b>Total Environment</b>	54,862	66,122	50	11,310
<b>Community Services and Education</b>				
Administration & Education	4,286	6,642	240	2,596
Social Protection (Welfare)	-	-	-	-
Aged Persons & Disabled	192	96	-	(96)
Childrens Services	7,116	7,002	-	(114)
<b>Total Community Services and Education</b>	11,594	13,740	240	2,386
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	1,889	-	-	(1,889)
Town Planning	5,172	6,231	-	1,059
Other Community Amenities	-	-	-	-
<b>Total Housing and Community Amenities</b>	7,062	6,231	-	(831)
<b>Water Supplies</b>	-	-	-	-
<b>Sewerage Services</b>	-	-	-	-

## ANNUAL FINANCIAL STATEMENTS

### The former Warringah Council

### SPECIAL SCHEDULES

for the financial period ended 12 May 2016

#### 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
Function or Activity				
<b>Recreation and Culture</b>				
Public Libraries	5,556	5,368	487	298
Community Centres and Halls	1,205	1,082	1,903	1,781
Performing Arts Venues	2,691	2,399	-	(292)
Other Cultural Services	1,342	1,233	18	(92)
Sporting Grounds and Venues	5,994	4,704	-	(1,290)
Swimming Pools	4,789	5,952	-	1,163
Parks and Gardens (Lakes)	3,737	4,490	-	753
Other Sport and Recreation	-	-	-	-
<b>Total Recreation and Culture</b>	<b>25,315</b>	<b>25,228</b>	<b>2,408</b>	<b>2,321</b>
<b>Fuel and Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	633	1,473	-	840
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Construction</b>	<b>633</b>	<b>1,473</b>	<b>-</b>	<b>840</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	8,480	8,266	-	(214)
Bridges on RU - Local	-	-	-	-
<b>Total Transport and Communication</b>	<b>8,480</b>	<b>8,266</b>	<b>-</b>	<b>(214)</b>
<b>Economic Affairs</b>				
Other Economic Affairs	11	207	-	195
<b>Total Economic Affairs</b>	<b>11</b>	<b>207</b>	<b>-</b>	<b>195</b>
<b>TOTALS - FUNCTIONS</b>	<b>138,695</b>	<b>168,376</b>	<b>10,633</b>	<b>40,314</b>
<b>General Purpose Revenues<sup>(2)</sup></b>	-	-	-	-
<b>Share of interests - joint ventures &amp; associates using the equity method<sup>(1)</sup></b>	-	-	-	-
<b>NET OPERATING RESULT FOR YEAR<sup>(1)</sup></b>	<b>138,695</b>	<b>168,376</b>	<b>10,633</b>	<b>40,314</b>

Notes: <sup>(1)</sup> Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)



## The former Warringah Council

## SPECIAL SCHEDULES

for the financial period ended 12 May 2016

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

\$'000	Principal outstanding at beginning of the period			New Loans raised during the period	Debt redemption during the period		Transfers to Sinking Funds	Interest applicable for period	Principal outstanding at the end of the period		
Classification of Debt	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	1	4	5	-	3	-	-	-	1	1	2
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Total Debt</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>2</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).

## The former Warringah Council

### SPECIAL SCHEDULES

for the financial period ended 12 May 2016

#### 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 period (Principal & Interest)	Principal Outstanding at end of period
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 period (Principal and Interest)	Principal Outstanding at end of period
<b>Totals</b>							-	-	-

## The former Warringah Council

## SPECIAL SCHEDULES

as at 12 May 2016

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

Asset Class	Asset Category	Estimated cost to bring to a satisfactory standard \$'000	Estimated Cost to Bring Assets to the agreed level of service set by Council	Required annual maintenance \$'000	2015/16 Actual maintenance \$'000	Written Down Value \$ (WDV) \$'000	Current Replacement Cost (CRC)	Assets in Condition as % of Current Replacement Cost				
								1	2	3	4	5
Buildings	Administration	-	-	484	307	29,756	33,754	73.1%	26.9%	0.0%	0.0%	0.0%
	Beach	-	-	363	105	29,987	33,348	13.6%	86.2%	0.1%	0.0%	0.0%
	Community	-	-	934	1,266	45,710	53,137	7.6%	92.4%	0.0%	0.0%	0.0%
	Sports	-	-	389	329	31,579	35,353	2.5%	94.8%	2.7%	0.0%	0.0%
	Other Buildings	-	-	229	778	11,943	15,475	2.1%	97.7%	0.1%	0.0%	0.0%
	Specialised Buildings	-	-	1,124	1,155	53,882	62,065	59.9%	40.1%	0.0%	0.0%	0.0%
		-	-	3,523	3,940	202,857	233,132	62.7%	34.1%	2.8%	0.2%	0.2%
Roads	Sealed Roads Surface	365	897	2,622	2,941	78,107	93,502	52.5%	43.7%	2.9%	0.5%	0.4%
	Sealed Roads Structure	136	1,987	303	24	209,799	214,448	50.4%	45.9%	2.8%	0.6%	0.4%
	Unsealed Roads	31	133	94	142	391	448	0.0%	70.3%	0.0%	29.7%	0.0%
	Bridges	-	-	53	-	6,947	7,281	3.1%	96.9%	0.0%	0.0%	0.0%
	Footpaths	-	-	1,028	1,002	40,308	45,890	2.2%	97.8%	0.0%	0.0%	0.0%
	Kerb and Gutter	62	156	1,549	1,150	85,067	91,425	0.3%	99.2%	0.3%	0.0%	0.2%
	Other Road Assets	-	-	1,824	2,220	26,033	30,476	9.8%	87.1%	3.1%	0.0%	0.0%
		594	3,173	7,473	7,479	446,652	483,470	32.6%	64.5%	2.1%	0.5%	0.3%
Other Structures	Other Structures	95	309	1,849	1,839	59,622	61,349	27.0%	71.7%	0.8%	0.5%	0.0%
		95	309	1,849	1,839	59,622	61,349	28.0%	71.6%	0.3%	0.1%	0.0%
Stormwater Drainage	Culverts	14	28	18	-	32,425	37,489	17.1%	77.7%	5.2%	0.1%	0.0%
	Open Channels	-	-	39	18	3,828	4,524	0.3%	99.6%	0.1%	0.0%	0.0%
	Pipes	1,375	2,930	293	144	317,144	373,016	2.8%	91.9%	4.5%	0.8%	0.0%
	Pits	123	435	596	577	77,662	86,352	3.9%	90.1%	5.6%	0.5%	0.0%
	Water Quality Devices	3	15	173	129	7,371	8,021	23.9%	60.0%	15.9%	0.2%	0.0%
		1,515	3,408	1,119	868	438,430	509,402	4.6%	94.1%	1.1%	0.2%	0.0%
Open Space/ Recreational	Swimming Pools	-	-	473	395	11,339	11,849	36.9%	63.1%	0.0%	0.0%	0.0%
	Other Open Space/Recreational Assets	36	61	1,737	1,967	55,614	55,134	21.0%	73.8%	3.9%	0.1%	0.0%
		36	61	2,210	2,362	61,953	66,983	25.8%	73.7%	0.5%	0.0%	0.0%
Total Classes	Total - All Assets	2,240	6,951	16,174	16,488	1,209,514	1,354,336	26.9%	71.0%	1.7%	0.3%	0.1%

## 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

## The former Warringah Council

## SPECIAL SCHEDULES

as at 12 May 2016

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

## Infrastructure Asset Performance Indicators – Consolidated

	2016 \$'000	----- Indicator ----- 201620152014		
<b>Building and infrastructure renewals ratio</b>				
Asset renewals	11,394	105.55%	150.12%	137.10%
Depreciation, amortisation and impairment	10,795			
<b>Infrastructure backlog</b>				
Estimated cost to bring assets to a satisfactory condition	2,240	0.19%	0.92%	2.10%
Carrying value of infrastructure assets	1,209,514			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	16,488	101.94%	104.17%	102.32%
Required asset maintenance	16,174			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring to an agreed level of service set by council	6,951	0.51%	N/A	N/A
Gross replacement cost	1,354,336			