

# ATTACHMENT BOOKLET 3

**ORDINARY COUNCIL MEETING**

**TUESDAY 27 AUGUST 2013**





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## **ATTACHMENT BOOKLET 5b**

### **8.9 DRAFT MANLY WARRINGAH WAR MEMORIAL PARK PLAN OF MANAGEMENT**

|              |   |     |
|--------------|---|-----|
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## **ATTACHMENT BOOKLET 6b**

### **8.13 ADOPTION OF THE DEE WHY SOUTH CATCHMENT FLOOD STUDY**

|              |   |     |
|--------------|---|-----|
| Attachment : | Stage 3: Flood Study Report for the Dee Why South Catchment<br>Flood Study - 27 June 2013 ..... | 856 |
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*ANNUAL FINANCIAL  
STATEMENTS  
2012-2013*

▼  
WARRINGAH.NSW.GOV.AU



## ANNUAL FINANCIAL STATEMENTS

### FINANCIAL COMMENTARY 2012-2013

This commentary provides the highlights of Council's 2012/13 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 21). The Financial Statements are made up of the following:

- Plain English explanation of the General Purpose Financial Statements – page 1
- LGMA Financial Health Check – pages 2 to 4
- General Purpose Financial Statements – pages 5 to 61
- Special Purpose Financial Statements – pages 66 to 73
- Special Schedules – pages 76 to 81

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

#### 2012/13 HIGHLIGHTS

|  |
|--|
| • Total Income from Continuing Operations \$151.386m                                   |
| • Total Expenses from Continuing Operations \$136.563m                                 |
| • Net Operating Surplus for the year \$14.823m   |
| • Net Operating Surplus for the year before Capital Grants and Contributions \$10.853m |
| • Total Assets \$2.537b  |
| • Total Liabilities \$44.507m  |
| • Net Assets \$2.492b  |
| • Unrestricted Current Ratio of 4.07:1 (2012 3.35:1)                                   |
| • Debt Service Ratio of 0.38% (2012 0.54%)   |
| • Building & Infrastructure Renewals Ratio 154.2%                                      |
| • Revaluation Increment Operational Land and Buildings \$33.494m                       |

The highlights of the Financial Statements indicate that Council is in a sound financial position having delivered a strong performance which was ahead of budget.

## ANNUAL FINANCIAL STATEMENTS



## FINANCIAL STATEMENTS IN PLAIN ENGLISH

|   |  |  |
|---|--|--|
| <p><b>Introduction</b></p> <p>The General Purpose Financial Statements which are comprehensive statements that meet all reporting requirements and show how the Council performed financially during the 2012/2013 financial year and presents the financial position as at the end of the financial year.</p> <p>Council presents its financial statements in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulation and the Local Government Code of Accounting Practice and Financial Reporting. Particular terms required by these Standards may not be familiar to some readers. Council is a "not-for-profit" organisation and some of the generally recognised terms used in the private sector corporate reports are not ideally transferable to the Local Government Environment.</p> <p>Warringah Council is mindful of its role of acting in the public interest and it is in this context that the Plain English guide is provided to assist readers in understanding and analysing the financial report.</p> <p><b>What is Contained in the General Purpose Financial Statements?</b></p> <p>Council's Financial Statements have two sections, namely:</p> <ol style="list-style-type: none"> <li>(1) The Principal Financial Statements</li> <li>(2) The Notes to and Forming Part of the Principal Financial Statements.</li> </ol> <p>There are five (5) Principal Financial Statements and twenty seven (27) Notes. These are prepared by Council staff, examined by the Council's Audit &amp; Risk Committee and by Council and then audited by an independent Auditor. The five Principal Financial Statements appear immediately after the statement by Council on Pages 3-7 of the General Purpose Financial Report and comprise the following:</p> <ul style="list-style-type: none"> <li>• Income Statement</li> <li>• Statement of Comprehensive Income</li> <li>• Statement of Financial Position</li> <li>• Statement of Changes in Equity</li> <li>• Cash Flow Statement</li> </ul> <p>The Notes detail Council's accounting policies and the make up of values contained in the Principal Financial Statements.</p> <p><b>Statement by Councillors and Management</b></p> <p>The Statement is made by the Council, the General Manager and the Responsible Accounting Officer to indicate that, in their opinion, the General Purpose Financial Report has met all the statutory and professional reporting requirements and has been prepared in accordance with Council's records.</p> | <p><b>Income Statement</b></p> <p>The Income Statement shows:</p> <ul style="list-style-type: none"> <li>• The sources of Council's revenue under various income headings</li> <li>• The expenses incurred in running the Council during the year</li> </ul> <p>These expenses relate only to the operations and do not include the costs associated with the purchase or the building of assets. While asset purchase costs are not included in expenses there is an item for depreciation. This is the annual allocation of the cost of assets by reference to the remaining useful life of assets.</p> <p>Emphasis is placed on the net operating result before capital grants and contributions and indicates that revenues from operations exceeded expenses.</p> <p><b>Statement of Financial Position</b></p> <p>This statement is a snap shot of the financial position of the Council as at 30 June 2013. It shows what the Council owns as assets and what it owes as liabilities. The bottom line of this statement is net assets and is equivalent to the net worth of Council that has built up since incorporation in 1906.</p> <p>The assets and liabilities are separated into current and non-current. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.</p> <p><b>Statement of Comprehensive Income</b></p> <p>Council is required to present all items of income and expense recognised during the year. Council has chosen to present this information in two statements. The first is the Income Statement explained above. The second statement is the Statement of Comprehensive Income. This begins with Net Operating Result for the year from the Income Statement and then details other comprehensive income which represents other gains and losses of Council such revaluations not recognised in the Income Statement.</p> <p><b>Statement of Changes in Equity</b></p> <p>During the course of the year the value of total equity as set out in the Balance Sheet changes. This Statement shows the values of such changes and how these changes arose.</p> <p>The main reasons for a change in equity are as follows:</p> <ul style="list-style-type: none"> <li>• Surplus from operations as disclosed in the Income Statement</li> <li>• Changes in minority interest of the subsidiary.</li> </ul> <p><b>Cash Flow Statement</b></p> <p>Statement of Cash Flows summarises Council's cash payments and cash receipts for the year. This statement is presented according to a very specific accounting standard and needs some care and analysis. The values differ from those</p> | <p>shown in the Income Statement because the Income Statement is prepared on an accrual accounting basis.</p> <p>Cash in this statement refers to bank deposits and other forms of highly liquid investments that can be readily converted to cash.</p> <p>Council's cash arises from and is used in three main areas:</p> <ul style="list-style-type: none"> <li>• Operating activities</li> <li>• Investing activities – this term relates to only assets such as new capital plant and other long-term revenue producing assets.</li> <li>• Financing activities – this is used to record the receipt and repayment of external financing such as loans and leases.</li> </ul> <p>The bottom line of the Cash Flow Statement is the cash at the end of the financial year.</p> <p><b>Notes to the Accounts</b></p> <p>The Notes are a very important and informative section of the Report. Rather than expecting the reader to have a working knowledge of the numerous and forever-changing Australian Accounting Standards, the Notes are provided to enable the reader to understand the basis on which the values shown in the Statements are established. These are described in Note 1.</p> <p>Apart from the Accounting Policies, the Notes also give details behind many of the summary figures contained in the Statements. The Note numbers are shown beside the relevant items in the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Cash Flow Statement.</p> <p>The Notes should be read at the same time as, and together with, other parts of the Financial Statements to get a clear picture of the accounts.</p> <p><b>Auditor's Report on the Financial Statements and on the Conduct of the Audit</b></p> <p>The independent Audit Report is the external and independent opinion on the Financial Statements. It provides the reader with a totally independent opinion and covers both the statutory and professional requirements and also the fairness aspects of the Financial Statements.</p> <p><b>Local Government Financial Health Check</b></p> <p>Attached to this Plain English guide is Council's Sustainable Financial Health Check prepared in accordance with the industry accepted guidelines. Note 13 also includes performance measures prescribed by the Division of Local Government and those used by NSW Treasury Corporation (TCorp) in assessing the financial sustainability of NSW Councils..</p> |
|---|--|--|





## ANNUAL FINANCIAL STATEMENTS

### FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

#### CASH/LIQUIDITY POSITION

##### Indicator # 1

**Cash /Liquidity Position – after accounting for external reserves**

##### 1.1 Unrestricted Current Ratio

Indicator Definition:

Current Assets less Externally Restricted Current Liabilities

Current Liabilities less Specific Purpose Current Liabilities

Indicator / Local Government Benchmark:  
Greater than 2:1    Between 1:1 and 2:1    Less than 1:1    Successive years > 10:1

| June 2012 | June 2013 | June 2014 | June 2015 | June 2016 |
|-----------|-----------|-----------|-----------|-----------|
| 3.35      | 4.07      | 4.22      | 2.74      | 2.34      |

Commentary: Council's liquidity is more than satisfactory. Council can easily pay its debts as they fall due.

##### 1.2 Available Cash Position

Indicator Definition:

(a) Available Cash Assets

Cash Assets less Externally Restricted Assets

(b) Unrestricted Available Cash Assets

Available Cash Assets less Internally Restricted Assets

|     | June 2012 | June 2013 | June 2014 | June 2015 | June 2016 |
|-----|-----------|-----------|-----------|-----------|-----------|
| (a) | \$46,233  | \$50,322  | \$64,366  | \$38,308  | \$31,051  |
| (b) | \$36,289  | \$41,670  | \$54,067  | \$27,892  | \$20,518  |

Commentary: This indicator is used to interpret indicator 1.1 in \$ amount. More than adequate funds are available, providing the capacity to respond to opportunities to react to unforeseen commitments that may arise.

##### 1.3 Availability of Cash Assets as a % of total Revenue

Indicator Definition:

(a) Available Cash Assets

Total Ordinary Revenue before Capital

(b) Unrestricted Available Cash Assets

Total Ordinary Revenue before Capital

|     | June 2012 | June 2013 | June 2014 | June 2015 | June 2016 |
|-----|-----------|-----------|-----------|-----------|-----------|
| (a) | 33.30%    | 34.14%    | 39.25%    | 23.42%    | 17.21%    |
| (b) | 26.13%    | 28.27%    | 32.97%    | 17.05%    | 11.37%    |

Commentary: This indicator is used to interpret indicator 1.2[b] in % amount. This demonstrates that Council funds are available either for unplanned works, commitments or for unforeseen occurrences.

#### OPERATING RESULT

##### Indicator # 2 – Operating Result – using trend analysis

**Result from Continuing Operations before**

**Capital Grants & Contributions**

Indicator Definition:

Result from ordinary operations before receipt of Capital Grants and Contributions ie. Operating Result or 'Profit' after depreciation

Indicator / Local Government Benchmark:  
Three (3) successive

surplus    Surplus    Deficit

| June 2009 | June 2010 | June 2011 | June 2012 | June 2013 |
|-----------|-----------|-----------|-----------|-----------|
| \$2,278   | \$7,938   | \$2,266   | \$4,578   | \$10,853  |

Commentary: Council continues to generate sufficient revenue to cover its operating expenditure, including depreciation.

Note: In respect of prospective financial information for 2014 to 2016 this relates to events and actions that have not yet occurred and may not occur. While evidence is available to support the assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature.

## ANNUAL FINANCIAL STATEMENTS



## FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

### ASSET RENEWAL EXPENDITURE

#### Indicator # 3 – Asset Renewal Expenditure

Indicator Definition:

Capital Renewal Capacity – amount of funds spent on renewing assets (as opposed to maintaining them)

Capital Expenditure on Existing Assets

Annual Depreciation

Indicator / Local Government Benchmark:

1 to 1      Less than 1:1

| June 2012 | June 2013 | June 2014 | June 2015 | June 2016 |
|-----------|-----------|-----------|-----------|-----------|
| 2.05      | 2.10      | 1.45      | 1.71      | 1.10      |

Commentary: This is a longer term indicator of the condition and cost to maintain public infrastructure assets. A strategic approach to asset management has been adopted and applied to Council's Delivery Program.

### DEBT SERVICE RATIO

#### Indicator # 4 – Debt Service Ratio

Indicator Definition:

Net Debt Service Cost

Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:

<10%      10%-15%      >15%

| June 2012 | June 2013 | June 2014 | June 2015 | June 2016 |
|-----------|-----------|-----------|-----------|-----------|
| 0.53%     | 0.38%     | 0.16%     | 0.63%     | 0.58%     |

Commentary: This indicator shows the amount of annual revenue necessary to service annual debt obligations (loan repayments). Council's ability to service its debt is excellent. Council's only existing debts are finance leases.

### COLLECTION PERFORMANCE

#### Indicator # 5 – Collection Performance

5.1 Outstanding Rates, Charges & Fees

5.2 Rates, Annual Charges, Interest and Extra charges outstanding

Indicator / Local Government Benchmark:

<4%      4%-5%      >5%

Indicator Definition:

5.1 Total Outstanding Rates Charges and Fees

Invoices raised plus Arrears Brought Fwd

5.2 Rates, Annual Charges, Interest and Extra charges outstanding

Rates Annual Charges, Interest and Extra Charges Collectible

| June 2012 | June 2013 | June 2014 | June 2015 | June 2016 |
|-----------|-----------|-----------|-----------|-----------|
| 4.06%     | 4.88%     | 3.90%     | 3.90%     | 3.90%     |
| 3.18%     | 3.45%     | 3.35%     | 3.35%     | 3.35%     |

Commentary: 5.1 Outstanding rates, charges & fees indicator measures the effectiveness of Council in recovering all debts legally owed to it whereas;  
5.2 Rates, Annual, Interest and Extra charges outstanding assesses only the impact of Rates, Annual Interest and Extra charges on liquidity and the adequacy of recovery efforts.

Note: In respect of prospective financial information for 2014 to 2016 this relates to events and actions that have not yet occurred and may not occur. While evidence is available to support the assumptions on which prospective financial information is based, such evidence is generally future oriented and therefore speculative in nature.



## ANNUAL FINANCIAL STATEMENTS

### FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

#### RE-VOTES OF EXPENDITURE

**Indicator # 6 – Re – Votes of Expenditure**

Indicator Definition: Revotes / Ordinary and Capital Expenditure

Indicator / Local Government Benchmark:



| June<br>2009 | June<br>2010 | June<br>2011 | June<br>2012 | June<br>2013 |
|--------------|--------------|--------------|--------------|--------------|
| 0.00%        | 2.12%        | 0.55%        | 0.24%        | 0.10%        |

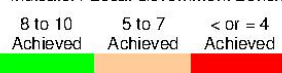
Commentary: The existence of re-votes at year end indicates funded projects/outcomes were not delivered in accordance with the Community Strategic Plan. Council had a small level of re-votes (0.10%) due to factors outside of its control.

#### ACCURACY / TIMELINES OF FINANCIAL DATA / BUDGET / COMPLIANCE

**Indicator # 7 – Management Practices**

Indicator Definition:

Indicator / Local Government Benchmark:



|   | June<br>2009 | June<br>2010 | June<br>2011 | June<br>2012 | June<br>2013 |
|---|--------------|--------------|--------------|--------------|--------------|
| 1. Financial Bottom Line (before capital) matched to forecasts to a level of + or – 10%   | Yes          | No           | No           | No           | No           |
| 2. Receipt of an unqualified Audit Report   | Yes          | Yes          | Yes          | Yes          | Yes          |
| 3. Statements lodged to meet compliance deadline  | Yes          | Yes          | Yes          | Yes          | Yes          |
| 4. Do you report monthly to management within 5 days of month end   | Yes          | Yes          | Yes          | Yes          | Yes          |
| 5. Do you report quarterly – within 21 days of quarter end  | No           | No           | No           | No           | No           |
| 6. Do you report annually – within 21 days of year end  | No           | No           | No           | No           | No           |
| 7. Budgets incorporate a 3 year plan where the 2nd year becomes the base for the following year   | Yes          | Yes          | Yes          | Yes          | Yes          |
| 8. Rigour of budget review and then ongoing monthly/quarterly budget to actual results analysis   | Yes          | Yes          | Yes          | Yes          | Yes          |
| 9. Does RAO (Responsible Accounting Officer) formally report to Council on the sign off of Financial Statements – Section 413 (2) (c)                               | Yes          | Yes          | Yes          | Yes          | Yes          |
| 10. Has the Council established an Audit Committee comprising elected members and community representatives in the interests of best corporate governance practice. | Yes          | Yes          | Yes          | Yes          | Yes          |
|   | 8            | 7            | 7            | 7            | 7            |

Note: While No has been answered against Items 5 and 6 Council reports on a timely basis and due to the timing of meetings it is not practicable to achieve these timeframes.

ANNUAL FINANCIAL STATEMENTS



# *General Purpose Financial Statements*

FOR THE YEAR ENDED 30 JUNE 2013

▼  
WARRINGAH.NSW.GOV.AU





## ANNUAL FINANCIAL STATEMENTS

### GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

| CONTENTS                                 | PAGE | OVERVIEW   |
|--|------|--|
| 1. Statement by Councillors & Management | 175  | (i) These Financial Statements are general purpose financial statements for Warringah Council and its controlled entities and are presented in Australian currency.  |
| 2. Income Statement                      | 176  | (ii) Warringah Council is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.   |
| 3. Statement of Comprehensive Income     | 177  | Council's Statutory Charter is specified in Section 8 of the LGA and includes;   |
| 4. Statement of Financial Position       | 178  | • carrying out activities and providing goods, services and facilities appropriate to the current & future needs of the Local community and of the wider public;   |
| 5. Statement of Changes in Equity        | 179  | • responsibility for administering regulatory requirements under the LGA and other applicable legislation, and   |
| 6. Statement of Cash Flows               | 180  | • a role in the management, improvement and development of the resources of the local government area.   |
| 7. Notes to the Financial Statements     | 181  | A description of the nature of Council's operations and its principal activities are provided in Note 2(b).  |
| 8. Auditors' Reports                     | 231  | (iii) The Financial Statements are authorised for issue by the Council on 7 August 2013. Council has the power to amend and reissue the Financial Statements.  |
|  |      | (iv) 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: <a href="http://www.warringah.nsw.gov.au">www.warringah.nsw.gov.au</a> . |

#### 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 Statements have been prepared in accordance with:

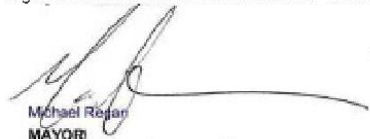
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements.
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 6 August 2013.



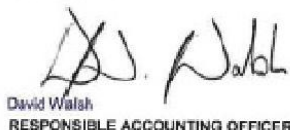
Michael Regan  
MAYOR



Jose Mariano-Pires  
COUNCILLOR



Rik Hart  
GENERAL MANAGER



David Walsh  
RESPONSIBLE ACCOUNTING OFFICER

ANNUAL FINANCIAL STATEMENTS



**INCOME STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

| Budget <sup>(1)</sup><br>2013              | \$ '000  | Notes | Actual<br>2013 | Actual<br>2012 |
|--|--|-------|----------------|----------------|
| <b>INCOME FROM CONTINUING OPERATIONS</b>   |  |       |                |                |
| <b>Revenue:</b>                            |  |       |                |                |
| 88,240                                     | Rates & Annual Charges   | 3a    | 88,201         | 83,119         |
| 32,035                                     | User Charges & Fees  | 3b    | 32,301         | 31,792         |
| 3,932                                      | Interest & Investment Revenue  | 3c    | 4,437          | 5,329          |
| 9,468                                      | Other Revenues   | 3d    | 10,408         | 9,356          |
| 7,243                                      | Grants & Contributions provided for Operating Purposes   | 3e,f  | 7,288          | 8,677          |
| 4,785                                      | Grants & Contributions provided for Capital Purposes   | 3e,f  | 3,970          | 4,160          |
| <b>Other Income:</b>                       |  |       |                |                |
| 4,355                                      | Net gains from the disposal of assets  | 5     | 4,781          | 205            |
|  | Net Share of interests in Joint Ventures & Associated  |       |                |                |
| -  | Entities using the Equity Method   | 19    | -              | 377            |
| <b>150,058</b>                             | <b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>   |       | <b>151,386</b> | <b>143,015</b> |
| <b>EXPENSES FROM CONTINUING OPERATIONS</b> |  |       |                |                |
| 56,465                                     | Employee Benefits & On-Costs   | 4a    | 55,776         | 54,434         |
| 729  | Borrowing Costs  | 4b    | 902            | 312            |
| 48,048                                     | Materials & Contracts  | 4c    | 48,002         | 49,522         |
| 14,286                                     | Depreciation & Amortisation  | 4d    | 14,127         | 13,880         |
| -  | Impairment   | 4d    | -              | -              |
| 16,991                                     | Other Expenses   | 4e    | 17,644         | 16,129         |
| -  | Interest & Investment Losses   | 3c    | -              | -              |
| -  | Net Losses from the Disposal of Assets   | 5     | -              | -              |
|  | Net Share of interests in Joint Ventures & Associated  |       |                |                |
| 693  | Entities using the Equity Method   | 19    | 113            | -              |
| <b>137,212</b>                             | <b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>   |       | <b>136,563</b> | <b>134,277</b> |
| <b>12,846</b>                              | <b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>   |       | <b>14,823</b>  | <b>8,738</b>   |
| <b>DISCONTINUED OPERATIONS</b>             |  |       |                |                |
| -  | Net Profit/(Loss) from Discontinued Operations   | 24    | -              | -              |
| <b>12,846</b>                              | <b>NET OPERATING RESULT FOR THE YEAR</b>   |       | <b>14,823</b>  | <b>8,738</b>   |
| Attributable to:                           |  |       |                |                |
| 11,887                                     | - Council  |       | 13,694         | 7,459          |
| 959  | - Non-controlling Interests  |       | 1,129          | 1,279          |
| <b>8,061</b>                               | <b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b> |       | <b>10,853</b>  | <b>4,578</b>   |

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

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



ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

| \$'000   | Notes | Actual<br>2013 | Actual<br>2012 |
|--|-------|----------------|----------------|
| <b>Net operating result for the year - from Income Statement</b>     |       | 14,823         | 8,738          |
| <b>Other Comprehensive Income</b>                                    |       |                |                |
| Gain on revaluation of infrastructure, property, plant and equipment | 20b   | 33,494         | -              |
| Movement in revaluation reserve from disposal                        | 20b   | (111)          | -              |
| Total other Comprehensive Income for the year                        |       | 33,383         | -              |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>                       |       | <b>48,206</b>  | <b>8,738</b>   |
| Attributable to:   |       |                |                |
| - Council  |       | 47,077         | 7,459          |
| - Non-controlling Interests  |       | 1,129          | 1,279          |

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

ANNUAL FINANCIAL STATEMENTS



**STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2013

| \$ '000   | Notes | Actual<br>2013   | Actual<br>2012   |
|---|-------|------------------|------------------|
| <b>ASSETS</b>                                     |       |                  |                  |
| <b>Current Assets</b>                             |       |                  |                  |
| Cash & Cash Equivalents                           | 6a    | 4,311            | 6,544            |
| Investments                                       | 6b    | 76,511           | 68,537           |
| Receivables                                       | 7     | 6,922            | 6,584            |
| Inventories                                       | 8     | 93               | 96               |
| Other   | 8     | 1,180            | 1,037            |
| Non-current assets classified as "held for sale"  | 22    | 9,309            | 2,944            |
| <b>Total Current Assets</b>                       |       | <b>98,326</b>    | <b>85,742</b>    |
| <b>Non-Current Assets</b>                         |       |                  |                  |
| Investments                                       | 6b    | 3,287            | 4,318            |
| Receivables                                       | 7     | 515              | 497              |
| Inventories                                       | 8     | -                | -                |
| Infrastructure, Property, Plant & Equipment       | 9     | 2,429,738        | 2,383,286        |
| Investments accounted for using the equity method | 19    | 1,113            | 1,226            |
| Investment Property                               | 14    | 1,900            | 2,100            |
| Intangible Assets                                 | 25    | 1,991            | 1,840            |
| Other   | 8     | -                | -                |
| <b>Total Non-Current Assets</b>                   |       | <b>2,438,544</b> | <b>2,393,267</b> |
| <b>TOTAL ASSETS</b>                               |       | <b>2,536,870</b> | <b>2,479,009</b> |
| <b>LIABILITIES</b>                                |       |                  |                  |
| <b>Current Liabilities</b>                        |       |                  |                  |
| Payables  | 10    | 13,719           | 13,766           |
| Borrowings  | 10    | 261              | 491              |
| Provisions  | 10    | 13,071           | 12,457           |
| <b>Total Current Liabilities</b>                  |       | <b>27,051</b>    | <b>26,714</b>    |
| <b>Non-Current Liabilities</b>                    |       |                  |                  |
| Payables  | 10    | -                | 600              |
| Borrowings  | 10    | 13               | 274              |
| Provisions  | 10    | 17,443           | 6,752            |
| Investments accounted for using the equity method | 19    | -                | -                |
| <b>Total Non-Current Liabilities</b>              |       | <b>17,456</b>    | <b>7,626</b>     |
| <b>TOTAL LIABILITIES</b>                          |       | <b>44,507</b>    | <b>34,340</b>    |
| <b>NET ASSETS</b>                                 |       | <b>2,492,363</b> | <b>2,444,669</b> |
| <b>EQUITY</b>                                     |       |                  |                  |
| Retained Earnings                                 | 20    | 2,339,980        | 2,326,286        |
| Revaluation Reserves                              | 20    | 144,312          | 110,929          |
| <b>Council Equity Interest</b>                    |       | <b>2,484,292</b> | <b>2,437,215</b> |
| <b>Non - Controlling Interest</b>                 |       | <b>8,071</b>     | <b>7,454</b>     |
| <b>TOTAL EQUITY</b>                               |       | <b>2,492,363</b> | <b>2,444,669</b> |

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



ANNUAL FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

| \$ '000                              | Notes | Retained Earnings | Reserves (Refer 20b) | Council Equity Interest | Non-controlling Interest | Total Equity     |
|--------------------------------------|-------|-------------------|----------------------|-------------------------|--------------------------|------------------|
| <b>2013</b>                          |       |                   |                      |                         |                          |                  |
| <b>Opening Balance</b>               | 20    | 2,326,286         | 110,929              | 2,437,215               | 7,454                    | <b>2,444,669</b> |
| Correction of Errors                 |       | -                 | -                    | -                       | -                        | -                |
| Changes in Accounting Policies       | 20    | -                 | -                    | -                       | -                        | -                |
| <b>Restated Opening Balances</b>     | 20    | <b>2,326,286</b>  | <b>110,929</b>       | <b>2,437,215</b>        | <b>7,454</b>             | <b>2,444,669</b> |
| Net Operating Result for the year    | 20    | 13,694            | -                    | 13,694                  | 1,129                    | <b>14,823</b>    |
| Other Comprehensive Income           | 20    | -                 | 33,383               | 33,383                  | -                        | <b>33,383</b>    |
| <b>Total Comprehensive Income</b>    |       | <b>13,694</b>     | <b>33,383</b>        | <b>47,077</b>           | <b>1,129</b>             | <b>48,206</b>    |
| Dividends Paid to Minority Interests |       | -                 | -                    | -                       | (512)                    | (512)            |
| <b>Closing Balance</b>               |       | <b>2,339,980</b>  | <b>144,312</b>       | <b>2,484,292</b>        | <b>8,071</b>             | <b>2,492,363</b> |
| <b>2012</b>                          |       |                   |                      |                         |                          |                  |
| <b>Opening Balance</b>               | 20    | 2,318,827         | 110,929              | 2,429,756               | 6,605                    | <b>2,436,361</b> |
| Correction of Errors                 |       | -                 | -                    | -                       | -                        | -                |
| Changes in Accounting Policies       |       | -                 | -                    | -                       | -                        | -                |
| <b>Restated Opening Balances</b>     | 20    | <b>2,318,827</b>  | <b>110,929</b>       | <b>2,429,756</b>        | <b>6,605</b>             | <b>2,436,361</b> |
| Net Operating Result for the year    | 20    | 7,459             | -                    | 7,459                   | 1,279                    | <b>8,738</b>     |
| Other Comprehensive Income           | 20    | -                 | -                    | -                       | -                        | -                |
| <b>Total Comprehensive Income</b>    |       | <b>7,459</b>      | <b>-</b>             | <b>7,459</b>            | <b>1,279</b>             | <b>8,738</b>     |
| Dividends Paid to Minority Interests |       | -                 | -                    | -                       | (430)                    | (430)            |
| <b>Closing Balance</b>               |       | <b>2,326,286</b>  | <b>110,929</b>       | <b>2,437,215</b>        | <b>7,454</b>             | <b>2,444,669</b> |

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

ANNUAL FINANCIAL STATEMENTS



**STATEMENT OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

| Budget<br>2013                              | \$ '000   | Notes | Actual<br>2013  | Actual<br>2012  |
|---|---|-------|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b> |   |       |                 |                 |
| <b>Receipts:</b>                            |   |       |                 |                 |
| 88,240                                      | Rates & Annual Charges  |       | 87,846          | 83,146          |
| 32,035                                      | User Charges & Fees   |       | 31,950          | 32,631          |
| 3,932                                       | Interest & Investment Revenue Received                        |       | 4,452           | 5,641           |
| 12,028                                      | Grants & Contributions  |       | 11,629          | 13,630          |
| -   | Deposits & Retentions Received                                |       | 1,216           | 1,205           |
| 9,469                                       | Other   |       | 10,817          | 9,648           |
| <b>Payments:</b>                            |   |       |                 |                 |
| (56,465)                                    | Employee Benefits & On-Costs                                  |       | (55,051)        | (53,375)        |
| (48,048)                                    | Materials & Contracts   |       | (48,819)        | (53,650)        |
| (729)                                       | Borrowing Costs   |       | (82)            | (82)            |
| -   | Deposits & Retentions Refunded                                |       | (1,344)         | (1,526)         |
| (16,991)                                    | Other   |       | (17,375)        | (16,233)        |
| <b>23,471</b>                               | <b>Net Cash provided (or used in) Operating Activities</b>    | 11b   | <b>25,239</b>   | <b>21,035</b>   |
| <b>Cash Flows from Investing Activities</b> |   |       |                 |                 |
| <b>Receipts:</b>                            |   |       |                 |                 |
| -   | Sale of Investments   |       | 154,465         | 146,925         |
| -   | Sale of Investment Property                                   |       | -               | -               |
| 7,534                                       | Sale of Infrastructure, Property, Plant & Equipment           |       | 7,687           | 1,575           |
| <b>Payments:</b>                            |   |       |                 |                 |
| -   | Purchase of Investment Securities                             |       | (161,385)       | (143,369)       |
| (30,321)                                    | Purchase of Infrastructure, Property, Plant & Equipment       |       | (27,085)        | (29,487)        |
| -   | Purchase of Intangibles                                       |       | (151)           | (570)           |
| <b>(22,787)</b>                             | <b>Net Cash provided (or used in) Investing Activities</b>    |       | <b>(26,469)</b> | <b>(24,926)</b> |
| <b>Cash Flows from Financing Activities</b> |   |       |                 |                 |
| <b>Receipts:</b>                            |   |       |                 |                 |
| -   | Proceeds from Borrowings & Advances                           |       | -               | 330             |
| <b>Payments:</b>                            |   |       |                 |                 |
| -   | Repayment of Borrowings & Advances                            |       | -               | -               |
| (575)                                       | Repayment of Finance Lease Liabilities                        |       | (491)           | (647)           |
| (372)                                       | Dividends Paid to Minority Interests                          |       | (512)           | (430)           |
| <b>(947)</b>                                | <b>Net Cash Flow provided (used in) Financing Activities</b>  |       | <b>(1,003)</b>  | <b>(747)</b>    |
| <b>(263)</b>                                | <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b> |       | <b>(2,233)</b>  | <b>(4,638)</b>  |
| 7,708                                       | Cash & Cash Equivalents at beginning of the year              | 11a   | 6,544           | 11,182          |
| <b>7,445</b>                                | <b>Cash &amp; Cash Equivalents - end of the year</b>          | 11a   | <b>4,311</b>    | <b>6,544</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





## ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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**ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**
**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

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

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

**(ii) Early adoption of standards**

Warringah Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

**(iii) Historical Cost Convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

**(iv) Critical Accounting Estimates**

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

- **Critical accounting estimates and assumptions**  
Warringah Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities

within the next financial year are set out below.

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

- **Critical judgements in applying the entity's accounting policies**

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

**(b) Revenue Recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

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

Revenue is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

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

The 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.

**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.

**Sale of Infrastructure, Property, Plant and Equipment**

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

**Interest and Rents**

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

**(c) Principles of Consolidation**
**(i) The Consolidated Fund**

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





## ANNUAL FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

## Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- General Purpose Operations
- Kimbriki Environmental Enterprises Pty Limited

Other joint ventures and associated entities in which Council is involved are included to the extent set out in (iv), Joint Ventures.

### (ii) The Trust Fund

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

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

### (iii) Associates

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

### (iv) Joint Venture

#### Jointly Controlled Assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated throughout the financial statements under the appropriate headings. Details of the activity are set out in Note 19.

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

### (v) County Councils

Council is not a member of any County Councils

### (d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially

all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

### (e) Acquisition of assets

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (f) Impairment of assets

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

value in use.

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

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

### (g) Cash and Cash Equivalents

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

### (h) Receivables

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

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

The amount of the impairment loss is recognised in the income statement within

**ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**
**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(ii) Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holdings are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

**(j) Non-Current "Held for Sale"**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as those arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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.

**(k) Investments and Other Financial Assets Classification**

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

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

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

**(ii) Loans and receivables**

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**Financial Assets – Reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

**Recognition and de-recognition**

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





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expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

### Subsequent measurement

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

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

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

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

### Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the

security below its cost is considered an indicator that the assets are impaired.

### (i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Ministerial Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds. Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed – for example subordinated debt obligations – however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

### (f) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted

cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

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

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

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

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

For all assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken for all assets on a 5 year cycle.

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

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

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are charged to the income statement during the financial period in which they are incurred.

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

**Plant & Equipment**

|                                       |               |
|---------------------------------------|---------------|
| Office Equipment                      | 5 – 10 years  |
| Office furniture                      | 10 – 20 years |
| Vehicles                              | 5 – 8 years   |
| Heavy Plant and Road Making equipment | 5 – 8 years   |
| Other plant and equipment             | 5 – 15 years  |

**Other Equipment**

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

**Buildings**

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

**Stormwater Drainage**

|        |           |
|--------|-----------|
| Drains | 100 years |
|--------|-----------|

**Transportation Assets**

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

**Other Assets**

|               |              |
|---------------|--------------|
| Library Books | 5 – 15 years |
| Artworks      | Indefinite   |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial 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 2013, council holds equity in the four (4) properties at Kimbriki Rd, Ingleside for the purpose of site closure by agreement with Manly, Mosman and Pittwater councils. 7 Kimbriki Rd, Ingleside has been partly funded by the Domestic Waste Management Reserve to the extent of 35.5% of the purchase price, which equals \$0.852 million.

**(n) Investment property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair values are recorded in profit or loss as part of other income. The last revaluation for Council's Investment Properties was dated 30 June 2013.

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

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

**(o) Payables**
**(i) Goods & Services**

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

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

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

The interest rate that Council will pay on monies held in bonds is 0.20% per annum. (Commonwealth Everyday account).

Only accrued interest amounts over \$1.00 will be paid out.

**(p) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

**(q) Borrowing costs**

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

**(r) Provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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




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

**(s) Employee benefits**
**(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be 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 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.

A liability or asset in respect of defined

benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

The Local Government Superannuation Scheme – Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119. Sufficient information under AASB 119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2013 was \$1,189,134. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists. Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$588,369.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$2,735,531 as at 30 June 2013.

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. As a result, they have asked for significant increases in contributions to recover that deficiency. Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no

liability for the deficiency has been recognised in Council's accounts. Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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.

**Employee Benefit On-Costs**

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2013.

**(t) Rounding of amounts**

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

**(u) Land under roads**

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

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

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

**(v) Provisions for close down, restoration and for environmental clean up costs – Tips and Quarries**
**(i) Restoration**

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

**(ii) 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 statement of financial position 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 statement of financial position 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 unwind of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the

relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions for Close Down, Restoration and Environmental Clean Up costs can be found at Note 26.

**(w) Allocation between current and non-current assets & liabilities**

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. Warringah Council's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on

available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

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

- (ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013). The suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

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





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the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

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

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

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

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

(v) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

(vi) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014)

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying

the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

(vii) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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

#### (y) Self insurance

Council has determined 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).

#### (z) Intangible assets

Alternative Waste Technology  
Costs incurred in acquiring licences and rights that will contribute to future period

ANNUAL FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**(aa) 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.

**(bb) Rural Fire Service assets**

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

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

**(cc) 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.

**(dd) Taxes**

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

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

**(ee) Comparative Figures**

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





**ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**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).

| in Note 2(b).  | Income from Continuing Operations |         |         | Expenses from Continuing Operations |         |         | Operating Result from Continuing Operations |          |          | Grants included in Income from Continuing Operations |        |           | Total Assets held (Current & Non-current) |        |
|--|-----------------------------------|---------|---------|-------------------------------------|---------|---------|---|----------|----------|--|--------|-----------|---|--------|
|  | Original Budget                   | Actual  |         | Original Budget                     | Actual  |         | Original Budget                             | Actual   |          | Actual   | Actual | Actual    | Actual                                    | Actual |
|  | 2013                              | 2013    | 2012    | 2013                                | 2013    | 2012    | 2013  | 2013     | 2012     | 2013   | 2012   | 2013      | 2012                                      | 2012   |
| Functions/Activities   |                                   |         |         |                                     |         |         |   |          |          |  |        |           |   |        |
| Corporate Support  | 13,705                            | 12,360  | 7,218   | 22,450                              | 19,755  | 20,119  | (8,745)                                     | (7,395)  | (12,900) | 10   | 19     | 1,951,166 | 1,821,397                                 |        |
| Good Governance  | 210                               | 217     | 9       | 7,328                               | 7,165   | 6,967   | (7,116)                                     | (6,949)  | (6,959)  | 20   | 20     |           |   |        |
| Constitution   | 326                               | 222     | 281     | 756                                 | 671     | 767     | (430)                                       | (449)    | (486)    |  |        |           |   |        |
| Child Care   | 5,455                             | 5,325   | 5,166   | 7,015                               | 7,043   | 6,745   | (1,560)                                     | (1,718)  | (1,639)  | 598  | 635    |           |   |        |
| Community & Safety   | 1,699                             | 2,090   | 1,759   | 6,028                               | 6,359   | 8,076   | (4,340)                                     | (4,279)  | (4,318)  | 368  | 159    | 481       | 479                                       |        |
| Compliance   | 4,334                             | 4,021   | 3,604   | 5,343                               | 5,246   | 4,971   | (1,009)                                     | (1,225)  | (1,367)  |  |        |           |   |        |
| Cultural Services  | 63                                | 109     | 92      | 975                                 | 1,099   | 1,036   | (912)                                       | (890)    | (1,004)  | 37   |        |           |   |        |
| Development Assessment   | 1,956                             | 1,651   | 1,593   | 5,069                               | 5,144   | 5,572   | (3,133)                                     | (3,493)  | (3,979)  |  |        |           |   |        |
| Glenn Street Theatre   | 1,789                             | 1,446   | 1,623   | 2,865                               | 2,724   | 3,172   | (1,096)                                     | (1,278)  | (1,549)  |  |        |           |   |        |
| Information & Library  | 675                               | 591     | 628     | 6,146                               | 6,051   | 6,291   | (5,471)                                     | (5,460)  | (5,663)  | 393  | 393    | 1,546     | 1,573                                     |        |
| Kinross Environmental Enterprises  | 16,592                            | 16,255  | 17,978  | 19,267                              | 20,054  | 18,099  | (1,695)                                     | (1,799)  | (1,521)  |  |        | 20,561    |   |        |
| Natural Environment  | 542                               | 493     | 825     | 9,466                               | 9,609   | 9,629   | (8,894)                                     | (9,121)  | (8,904)  | 178  | 459    | 235,981   | 237,293                                   |        |
| Parks, Recreation & Forestry   | 611                               | 695     | 679     | 9,932                               | 10,040  | 9,733   | (9,321)                                     | (9,355)  | (9,054)  | 87   | 89     | 80,326    | 73,444                                    |        |
| Roads, Traffic & Waste   | 24,541                            | 23,630  | 21,979  | 28,811                              | 28,533  | 28,665  | (4,270)                                     | (4,903)  | (6,697)  | 1,225  | 1,225  | 346,067   | 344,014                                   |        |
| Strategic Planning   | 527                               | 570     | 625     | 2,727                               | 2,828   | 2,542   | (2,202)                                     | (2,258)  | (1,917)  |  |        |           |   |        |
| Warringah Aquatic Centre   | 2,389                             | 2,341   | 1,950   | 4,036                               | 4,139   | 3,834   | (1,647)                                     | (1,798)  | (1,894)  |  |        | 532       | 541                                       |        |
| Total Functions & Activities   | 75,383                            | 73,891  | 65,947  | 157,212                             | 136,450 | 134,277 | (61,826)                                    | (62,438) | (68,330) | 2,828  | 2,969  | 2,936,687 | 2,478,741                                 |        |
| Share of gains/losses in Associates & Joint Ventures (using the Equity Method) |                                   |         | 377     |                                     | 113     |         |   | (113)    | 377      |  |        | 173       | 268                                       |        |
| General Purpose Income   | 74,675                            | 77,395  | 76,691  |                                     |         |         | 74,675                                      | 77,395   | 76,691   | 4,954  | 6,021  |           |   |        |
| Totals   | 150,058                           | 151,286 | 143,015 | 157,212                             | 136,563 | 134,277 | 12,948                                      | 14,823   | 8,738    | 7,862  | 9,050  | 2,936,870 | 2,479,009                                 |        |
| Operating Result attributable to Council                                       |                                   |         |         |                                     |         |         |   |          |          |  |        |           |   |        |
| Operating Result attributable to Minority Interest                             |                                   |         |         |                                     |         |         |   |          |          |  |        |           |   |        |

Includes: Rates & Annual Charges (incl. Ex Grants), Unfunded General Purpose Grants & Unrestricted Interest & Investment Income.

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**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.



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 3 INCOME FROM CONTINUING OPERATIONS

| \$ '000   | Notes | Actual<br>2013 | Actual<br>2012 |
|---|-------|----------------|----------------|
| <b>(a) Rates &amp; Annual Charges</b>                 |       |                |                |
| <b>Ordinary Rates</b>                                 |       |                |                |
| Residential   |       | 55,954         | 53,788         |
| Business  |       | 13,675         | 13,339         |
| <b>Total Ordinary Rates</b>                           |       | <b>69,629</b>  | <b>67,127</b>  |
| <b>Special Rates</b>                                  |       |                |                |
| Nil   |       |                |                |
| <b>Annual Charges</b> (pursuant to s496, s501 & s611) |       |                |                |
| Domestic Waste Management Services                    |       | 18,498         | 15,992         |
| Section 611 Charges                                   |       | 74             | -              |
| <b>Total Annual Charges</b>                           |       | <b>18,572</b>  | <b>15,992</b>  |
| <b>TOTAL RATES &amp; ANNUAL CHARGES</b>               |       | <b>88,201</b>  | <b>83,119</b>  |

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

### (b) User Charges & Fees

#### User Charges (pursuant to s.502)

|  |            |            |
|--|------------|------------|
| Waste Management Services (non-domestic) | 445        | 405        |
| <b>Total User Charges</b>                | <b>445</b> | <b>405</b> |

#### Fees

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Planning & Building Regulation       | 1,846         | 1,720         |
| Regulatory Fees                      | 326           | 395           |
| Section 149 Certificates (EPA Act)   | 483           | 503           |
| Section 603 Certificates             | 198           | 197           |
| Section 611 Charges                  | -             | 70            |
| Dog Registration                     | 65            | 28            |
| Road & Shop Inspection               | 100           | 115           |
| Child Care                           | 5,344         | 4,924         |
| Community Centres                    | 1,182         | 1,341         |
| Glen Street Theatre                  | 1,075         | 1,040         |
| Kimbriki Waste & Recycling Centre    | 15,886        | 14,693        |
| Libraries                            | 152           | 211           |
| Parking Areas                        | 961           | 879           |
| Restoration Charges                  | 959           | 1,945         |
| Swimming Centres                     | 2,087         | 1,735         |
| Other                                | 1,192         | 1,591         |
| <b>Total Fees</b>                    | <b>31,856</b> | <b>31,387</b> |
| <b>TOTAL USER CHARGES &amp; FEES</b> | <b>32,301</b> | <b>31,792</b> |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 3 INCOME FROM CONTINUING OPERATIONS** (continued)

| \$ '000   | Notes | Actual<br>2013 | Actual<br>2012 |
|---|-------|----------------|----------------|
| <b>(c) Interest &amp; Investment Revenue (incl. losses)</b>                 |       |                |                |
| <b>Interest &amp; Dividends</b>   |       |                |                |
| - Interest on Overdue Rates & Annual Charges                                |       | 233            | 226            |
| - Interest earned on Investments (interest & coupon payment income)         |       | 4,181          | 5,353          |
| <b>Fair Value Adjustments</b>   |       |                |                |
| - Fair Valuation Movements in Investments unrealised capital gains/(losses) |       | 23             | (250)          |
| <b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>                              |       | <b>4,437</b>   | <b>5,329</b>   |
| <b>Interest Revenue is attributable to:</b>                                 |       |                |                |
| <b>Unrestricted Investments/Financial Assets:</b>                           |       |                |                |
| Overdue Rates & Annual Charges  |       | 233            | 226            |
| General Council Cash & Investments  |       | 2,650          | 3,292          |
| <b>Restricted Investments/Funds - External:</b>                             |       |                |                |
| Development Contributions   |       |                |                |
| - Section 94  |       | 1,286          | 1,481          |
| - Section 94A   |       | 268            | 330            |
| <b>Total Interest &amp; Investment Revenue Recognised</b>                   |       | <b>4,437</b>   | <b>5,329</b>   |
| <b>(d) Other Revenues</b>   |       |                |                |
| Ex Gratia Rates   |       | 19             | 25             |
| Insurance Claim Recoveries  |       | 332            | 302            |
| Legal Fees Recovery - Rates & Charges (Extra Charges)                       |       | 101            | 80             |
| Legal Fees Recovery - Other   |       | 50             | 120            |
| Other Fines   |       | 331            | 211            |
| Parking Fines   |       | 2,213          | 1,942          |
| Recycling Income (non domestic)   |       | 1,461          | 1,435          |
| Rental Income - Investment Properties                                       |       | 151            | 191            |
| Rental Income - Other Council Properties                                    |       | 2,167          | 2,021          |
| Sales - General   |       | 171            | 24             |
| Sullage Income/Sponsorship  |       | 27             | 17             |
| Waste Performance Improvement   |       | 918            | 812            |
| Other Revenues  |       | 2,467          | 2,176          |
| <b>TOTAL OTHER REVENUE</b>  |       | <b>10,408</b>  | <b>9,356</b>   |



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 3 INCOME FROM CONTINUING OPERATIONS (continued)

| \$ '000   | Notes | 2013<br>Operating | 2012<br>Operating | 2013<br>Capital | 2012<br>Capital |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Grants</b>                               |       |                   |                   |                 |                 |
| <b>General Purpose (Untied)</b>                 |       |                   |                   |                 |                 |
| Financial Assistance - General Component        |       | 2,906             | 3,709             | -               | -               |
| Financial Assistance - Local Roads Component    |       | 1,157             | 1,510             | -               | -               |
| Pensioners' Rates Subsidies - General Component |       | 801               | 802               | -               | -               |
| <b>Total General Purpose</b>                    |       | <b>4,864</b>      | <b>6,021</b>      | <b>-</b>        | <b>-</b>        |
| <b>Specific Purpose</b>                         |       |                   |                   |                 |                 |
| Pensioners' Rates Subsidies:                    |       |                   |                   |                 |                 |
| - Domestic Waste Management                     |       | 231               | 214               | -               | -               |
| Bushfire & Emergency Services                   |       | 48                | 170               | -               | -               |
| Child Care                                      |       | 598               | 635               | -               | -               |
| Coast & Estuaries                               |       | 76                | 114               | -               | -               |
| Community Care                                  |       | 135               | 148               | -               | -               |
| Community Centres                               |       | 102               | 34                | 131             | -               |
| Environmental Protection                        |       | 10                | 5                 | -               | -               |
| Library   |       | 90                | 89                | 272             | 270             |
| Noxious Weeds                                   |       | 35                | 43                | -               | -               |
| Recreation & Culture                            |       | 67                | 77                | 30              | 64              |
| Sport & Recreation                              |       | -                 | 17                | -               | 63              |
| Street Lighting                                 |       | 349               | 348               | -               | -               |
| Transport (Roads to Recovery)                   |       | -                 | -                 | 608             | 608             |
| Transport (Other Roads & Bridges Funding)       |       | 37                | 64                | -               | -               |
| Local Environmental Planning                    |       | -                 | 14                | -               | -               |
| Other   |       | 10                | 22                | -               | -               |
| <b>Total Specific Purpose</b>                   |       | <b>1,787</b>      | <b>1,994</b>      | <b>1,041</b>    | <b>1,005</b>    |
| <b>Total Grants</b>                             |       | <b>6,651</b>      | <b>8,015</b>      | <b>1,041</b>    | <b>1,005</b>    |
| <b>Grant Revenue is attributable to:</b>        |       |                   |                   |                 |                 |
| - Commonwealth Funding                          |       | 4,423             | 5,540             | 608             | 608             |
| - State Funding                                 |       | 2,228             | 2,475             | 433             | 397             |
|   |       | <b>6,651</b>      | <b>8,015</b>      | <b>1,041</b>    | <b>1,005</b>    |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**NOTE 3 INCOME FROM CONTINUING OPERATIONS** (continued)

| \$ '000   | Notes | 2013<br>Operating | 2012<br>Operating | 2013<br>Capital | 2012<br>Capital |
|---|-------|-------------------|-------------------|-----------------|-----------------|
| <b>(f) Contributions</b>                                      |       |                   |                   |                 |                 |
| <b>Developer Contributions:</b>                               |       |                   |                   |                 |                 |
| <b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b> |       |                   |                   |                 |                 |
| S 94 - Contributions towards amenities/services               |       | -                 | -                 | 206             | -               |
| S 94A - Fixed Development Consent Levies                      |       | -                 | -                 | 1,941           | 2,531           |
| <b>Total Developer Contributions</b>                          | 17    | -                 | -                 | <b>2,147</b>    | <b>2,531</b>    |
| <b>Other Contributions:</b>                                   |       |                   |                   |                 |                 |
| Bushfire Services   |       | 150               | 10                | -               | -               |
| Coast & Estuaries   |       | 117               | 124               | -               | -               |
| EPA Rebate  |       | -                 | -                 | -               | 8               |
| Other Councils - Joint Works/Services                         |       | 27                | 166               | -               | -               |
| Recreation & Culture  |       | -                 | 9                 | 396             | -               |
| RTA Contributions (Regional/Local, Block Grant)               |       | 343               | 341               | 360             | 616             |
| Other   |       | -                 | 12                | 26              | -               |
| <b>Total Other Contributions</b>                              |       | <b>637</b>        | <b>662</b>        | <b>782</b>      | <b>624</b>      |
| <b>Total Contributions</b>                                    |       | <b>637</b>        | <b>662</b>        | <b>2,929</b>    | <b>3,155</b>    |
| <b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>                       |       | <b>7,288</b>      | <b>8,677</b>      | <b>3,970</b>    | <b>4,160</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:**

|  |                |                |
|--|----------------|----------------|
| Unexpended at the Close of the Previous Reporting Period   | 32,293         | 31,460         |
| <b>add:</b> Grants and contributions recognised in the current period which have not been spent:                                       | <b>4,235</b>   | <b>4,774</b>   |
| <b>less:</b> Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period: | <b>(5,439)</b> | <b>(3,941)</b> |
| <b>Net Increase (Decrease) in Restricted Assets during the Current Reporting Period</b>  | <b>(1,204)</b> | <b>833</b>     |

|   |               |               |
|---|---------------|---------------|
| <b>Unexpended at the Close of this Reporting Period and held as Restricted Assets</b> | <b>31,089</b> | <b>32,293</b> |
|---|---------------|---------------|

**Comprising:**

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| - Specific Purpose Unexpended Grants | 498           | 700           |
| - Developer Contributions            | 30,591        | 31,593        |
| - Other Contributions                | -             | -             |
|                                      | <b>31,089</b> | <b>32,293</b> |





ANNUAL FINANCIAL STATEMENTS

## FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 4 EXPENSES FROM CONTINUING OPERATIONS

| \$ '000  | Notes | Actual<br>2013 | Actual<br>2012 |
|--|-------|----------------|----------------|
| <b>(a) Employee Benefits &amp; On-Costs</b>            |       |                |                |
| Salaries and Wages                                     |       | 46,059         | 43,225         |
| Employee Termination Costs                             |       | 15             | 234            |
| Travelling   |       | 34             | 35             |
| Employee Leave Entitlements (ELE)                      |       | 4,604          | 5,513          |
| Superannuation   |       | 4,998          | 4,793          |
| Workers' Compensation Insurance                        |       | (35)           | 365            |
| Fringe Benefit Tax (FBT)                               |       | 298            | 386            |
| Training Costs (other than Salaries & Wages)           |       | 817            | 851            |
| Recruitment Costs                                      |       | 113            | 115            |
| Other  |       | 704            | 625            |
| <b>Total Employee Costs</b>                            |       | <b>57,607</b>  | <b>56,142</b>  |
| Less: Capitalised Costs                                |       | (1,831)        | (1,708)        |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>                   |       | <b>55,776</b>  | <b>54,434</b>  |
|  |       |                |                |
| Number of "Full Time Equivalent" Employees at year end |       | 560            | 545            |
| <b>(b) Borrowing Costs</b>                             |       |                |                |
| Interest on Loans                                      |       | -              | -              |
| Charges on Finance Leases                              |       | 82             | 82             |
| Amortisation of Discounts and Premiums                 |       |                |                |
| - Remediation Liabilities                              |       | 820            | 230            |
| Less: Capitalised Costs                                |       | -              | -              |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                  |       | <b>902</b>     | <b>312</b>     |

ANNUAL FINANCIAL STATEMENTS



**FINANCIAL HEALTH CHECK PERFORMANCE INDICATORS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 4 EXPENSES FROM CONTINUING OPERATIONS** (continued)

| \$ '000   | Notes | Actual<br>2013 | Actual<br>2012 |
|---|-------|----------------|----------------|
| <b>(c) Materials &amp; Contracts</b>  |       |                |                |
| Raw Materials & Consumables   |       | 9,186          | 8,772          |
| Contractor & Consultancy Costs  |       |                |                |
| - Bush Regeneration   |       | 839            | 886            |
| - Cleaning  |       | 951            | 948            |
| - Garbage   |       | 4,753          | 4,726          |
| - Recycling   |       | 3,533          | 3,381          |
| - External Roadwork   |       | 799            | 1,758          |
| - Waste Disposal  |       | 4,540          | 4,473          |
| - Other   |       | 22,042         | 23,708         |
| Remuneration of Auditors <sup>(1)</sup>   |       |                |                |
| - Audit Services  |       | 90             | 87             |
| - Other Services  |       | 7              | 5              |
| Legal Fees:   |       |                |                |
| - Planning & Development  |       | 353            | 597            |
| - Other   |       | 807            | 572            |
| Operating Leases:   |       |                |                |
| - Printers  |       | 102            | 85             |
| Less: Capitalised Costs   |       | -              | (476)          |
| <b>TOTAL MATERIALS &amp; CONTRACTS</b>  |       | <b>48,002</b>  | <b>49,522</b>  |
| <br>(1) During the year the following fees were paid or payable for services provided by the Council's auditors - Hill Rogers Spencer Steer |       |                |                |
| (i) Audit and other assurance services  |       |                |                |
| Audit and review of financial statements  |       | 83             | 80             |
| Other assurance services:   |       |                |                |
| - Review of Budget and Long Term Financial Plan   |       | 7              | 7              |
| Total remuneration for audit and other assurance services   |       | <b>90</b>      | <b>87</b>      |
| <br>(ii) Other services   |       |                |                |
| Attendance at Audit and Risk Committee Meetings   |       | 3              | 5              |
| - Other   |       | 4              | -              |
| Total remuneration for other services   |       | <b>7</b>       | <b>5</b>       |
| Total remuneration of Council's auditors - Hill Rogers Spencer Steer  |       | <b>97</b>      | <b>92</b>      |





ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (continued)

|  |       | Depreciation/Amortisation |                | Impairment Costs |                |
|--|-------|---------------------------|----------------|------------------|----------------|
| \$ '000  | Notes | Actual<br>2013            | Actual<br>2012 | Actual<br>2013   | Actual<br>2012 |
| <b>(d) Depreciation, Amortisation &amp; Impairment</b> |       |                           |                |                  |                |
| Plant and Equipment                                    |       | 1,664                     | 1,756          | -                | -              |
| Office Equipment                                       |       | 869                       | 942            | -                | -              |
| Furniture & Fittings                                   |       | 208                       | 163            | -                | -              |
| Property, Plant & Equipment - Leased                   |       | 475                       | 655            | -                | -              |
| Land Improvements (depreciable)                        |       | 81                        | 71             | -                | -              |
| Buildings - Non Specialised                            |       | 1,923                     | 1,884          | -                | -              |
| Buildings - Specialised                                |       | 316                       | 306            | -                | -              |
| Other Structures                                       |       | 571                       | 509            | -                | -              |
| Infrastructure:  |       |                           |                |                  |                |
| - Roads, Bridges & Footpaths                           |       | 3,719                     | 3,581          | -                | -              |
| - Stormwater Drainage                                  |       | 3,531                     | 3,453          | -                | -              |
| Other Assets   |       |                           |                |                  |                |
| - Library Books  |       | 526                       | 519            | -                | -              |
| Tip Asset  |       | 244                       | 41             | -                | -              |
| Less: Capitalised Costs                                |       | -                         | -              | -                | -              |
| <b>TOTAL DEPRECIATION &amp; TOTAL IMPAIRMENT</b>       |       | <b>14,127</b>             | <b>13,880</b>  | <b>-</b>         | <b>-</b>       |

|  |       | Actual<br>2013 | Actual<br>2012 |
|--|-------|----------------|----------------|
| \$ '000  | Notes |                |                |
| <b>(e) Other Expenses</b>  |       |                |                |
| Other Expenses for the year include the following:                 |       |                |                |
| Fair Value Adjustments - Investment Properties                     |       | 200            | -              |
| Advertising  |       | 634            | 692            |
| Bad & Doubtful Debts   |       | 49             | (12)           |
| Carbon Tax Expense   |       | 667            | -              |
| Mayoral Fee  |       | 58             | 56             |
| Councillors' Fees  |       | 217            | 212            |
| Councillors' (incl. Mayor) Expenses - Other (excluding fees above) |       | 177            | 113            |
| Contributions to Other Levels of Government                        |       |                |                |
| - Planning Levy  |       | 278            | 269            |
| - Waste Levy   |       | 5,322          | 4,732          |
| - Emergency Services Levy  |       | 2,897          | 2,854          |
| - Other Levies   |       | -              | 50             |
| Contributions & Donations (Section 356)                            |       | 234            | 295            |
| Data Services  |       | 388            | 328            |
| Electricity & Heating  |       | 2,864          | 2,481          |
| Insurance  |       | 1,032          | 1,467          |
| Interest on Bonds & Deposits                                       |       | 7              | 4              |
| SHOROC Contributions   |       | 169            | 142            |
| Street Lighting  |       | 1,558          | 1,535          |
| Telephone & Communications   |       | 509            | 550            |
| Valuation Fees   |       | 209            | 196            |
| Other  |       | 174            | 165            |
| <b>TOTAL OTHER EXPENSES</b>  |       | <b>17,644</b>  | <b>16,129</b>  |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

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

| \$ '000   | Notes | Actual<br>2013 | Actual<br>2012 |
|---|-------|----------------|----------------|
| <b>Property (excl. Investment Property)</b>             |       |                |                |
| Proceeds from Disposal                                  |       | 5,722          | -              |
| less: Carrying Amount of Property Assets Sold           |       | (1,537)        | -              |
| <b>Net Gain/(Loss) on Disposal</b>                      |       | <b>4,185</b>   | <b>-</b>       |
| <b>Plant &amp; Equipment</b>                            |       |                |                |
| Proceeds from Disposal                                  |       | 1,549          | 1,575          |
| less: Carrying Amount of P&E Assets Sold                |       | (1,284)        | (1,370)        |
| <b>Net Gain/(Loss) on Disposal</b>                      |       | <b>265</b>     | <b>205</b>     |
| <b>Infrastructure</b>                                   |       |                |                |
| Proceeds from Disposal                                  |       | 3              | -              |
| less: Carrying Amount of Infrastructure Assets Sold     |       | (114)          | -              |
| plus: Reversal of Revaluation Reserve                   |       | 111            | -              |
| <b>Net Gain/(Loss) on Disposal</b>                      |       | <b>-</b>       | <b>-</b>       |
| <b>Financial Assets</b>                                 |       |                |                |
| Proceeds from Disposal                                  |       | 154,465        | 146,925        |
| less: Carrying Amount of Financial Assets Sold          |       | (154,465)      | (146,925)      |
| <b>Net Gain/(Loss) on Disposal</b>                      |       | <b>-</b>       | <b>-</b>       |
| <b>Non Current Assets Classified as "Held for Sale"</b> |       |                |                |
| Proceeds from Disposal                                  |       | 413            | -              |
| less: Carrying Amount of "Held for Sale" Assets Sold    |       | (82)           | -              |
| <b>Net Gain/(Loss) on Disposal</b>                      |       | <b>331</b>     | <b>-</b>       |
| <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>            |       | <b>4,781</b>   | <b>205</b>     |



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 6(a) CASH AND CASH EQUIVALENTS

| \$ '000                                  | Notes | 2013<br>Actual |             | 2012<br>Actual |             |
|--|-------|----------------|-------------|----------------|-------------|
|  |       | Current        | Non Current | Current        | Non Current |
| Cash on Hand and at Bank                 |       | 4,311          | -           | 6,544          | -           |
| <b>Total Cash &amp; Cash Equivalents</b> |       | <b>4,311</b>   | <b>-</b>    | <b>6,544</b>   | <b>-</b>    |

### NOTE 6(b) INVESTMENTS

|   |               |              |               |              |
|---|---------------|--------------|---------------|--------------|
| Financial Assets at fair value through Profit and Loss - Held for Trading <sup>17</sup> | 992           | 1,287        | 1,998         | 2,318        |
| Held to Maturity Investments  | 75,519        | 2,000        | 66,539        | 2,000        |
| <b>Total</b>  | <b>76,511</b> | <b>3,287</b> | <b>68,537</b> | <b>4,318</b> |

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

|                                       |            |              |              |              |
|---------------------------------------|------------|--------------|--------------|--------------|
| At beginning of year                  | 1,998      | 2,318        | 1,498        | 4,623        |
| Revaluation to Income Statement       | 2          | 21           | 28           | (278)        |
| Additions                             | -          | -            | -            | -            |
| Disposals                             | (2,000)    | (60)         | (1,500)      | (55)         |
| Transfers between Current/Non Current | 992        | (992)        | 1,972        | (1,972)      |
| <b>At end of year</b>                 | <b>992</b> | <b>1,287</b> | <b>1,998</b> | <b>2,318</b> |

#### Comprising of:

|                            |            |              |              |              |
|----------------------------|------------|--------------|--------------|--------------|
| FRNs                       | 992        | -            | 1,998        | 958          |
| Mortgage Backed Securities | -          | 1,287        | -            | 1,360        |
|                            | <b>992</b> | <b>1,287</b> | <b>1,998</b> | <b>2,318</b> |

#### Held to Maturity Investments

|  |               |              |               |              |
|--|---------------|--------------|---------------|--------------|
| At beginning of year                   | 66,539        | 2,000        | 69,540        | 1,000        |
| Amortisation of discounts and premiums | -             | -            | -             | -            |
| Additions                              | 161,385       | -            | 141,369       | 2,000        |
| Disposals                              | (152,405)     | -            | (145,370)     | -            |
| Transfers between Current/Non Current  | -             | -            | 1,000         | (1,000)      |
| <b>At end of year</b>                  | <b>75,519</b> | <b>2,000</b> | <b>66,539</b> | <b>2,000</b> |

#### Comprising of:

|               |               |              |               |              |
|---------------|---------------|--------------|---------------|--------------|
| Term Deposits | 75,519        | 2,000        | 65,539        | 2,000        |
| FRNs          | -             | -            | 1,000         | -            |
|               | <b>75,519</b> | <b>2,000</b> | <b>66,539</b> | <b>2,000</b> |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 6(c) RESTRICTED CASH, CASH EQUIVALENTS & INVESTMENTS**

| \$ '000  | Notes | 2013<br>Actual |                     | 2012<br>Actual        |                |
|--|-------|----------------|---------------------|-----------------------|----------------|
|  |       | Current        | Non Current         | Current               | Non Current    |
| <b>Total Cash, Cash Equivalents and Investments</b>    |       | <b>80,822</b>  | <b>3,287</b>        | <b>75,081</b>         | <b>4,318</b>   |
| External Restrictions (refer below)                    |       | 30,500         | 3,287               | 28,848                | 4,318          |
| Internal Restrictions (refer below)                    |       | 8,498          | -                   | 9,944                 | -              |
| Unrestricted   |       | 41,824         | -                   | 36,289                | -              |
|  |       | <b>80,822</b>  | <b>3,287</b>        | <b>75,081</b>         | <b>4,318</b>   |
| <b>2013</b>  |       | <b>Opening</b> | <b>Transfers to</b> | <b>Transfers from</b> | <b>Closing</b> |
| <b>\$ '000</b>   |       | <b>Balance</b> | <b>Restrictions</b> | <b>Restrictions</b>   | <b>Balance</b> |
| <b>External Restrictions - Included in Liabilities</b> |       |                |                     |                       |                |
| Nil  |       |                |                     |                       |                |
| <b>External Restrictions - Other</b>                   |       |                |                     |                       |                |
| Developer Contributions - General (A)                  |       | 31,593         | 3,702               | (4,704)               | 30,591         |
| Specific Purpose Unexpended Grants (B)                 |       | 700            | 534                 | (736)                 | 498            |
| Domestic Waste Management (C)                          |       | 739            | 1,976               | (151)                 | 2,564          |
| Subdivision and Duffy's Forest Concurrence             |       | 134            | -                   | -                     | 134            |
| <b>External Restrictions - Other</b>                   |       | <b>33,166</b>  | <b>6,212</b>        | <b>(5,591)</b>        | <b>33,787</b>  |
| <b>Total External Restrictions</b>                     |       | <b>33,166</b>  | <b>6,212</b>        | <b>(5,591)</b>        | <b>33,787</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.

| 2013<br>\$ '000                    | Opening<br>Balance | Transfers to<br>Restrictions | Transfers from<br>Restrictions | Closing<br>Balance |
|------------------------------------|--------------------|------------------------------|--------------------------------|--------------------|
|                                    |                    |                              |                                |                    |
| <b>Internal Restrictions</b>       |                    |                              |                                |                    |
| Beach Parking                      | 118                | -                            | -                              | 118                |
| Compulsory Open Space Acquisition  | 156                | -                            | -                              | 156                |
| Deposits, Retentions & Bonds       | 4,239              | 26                           | (154)                          | 4,111              |
| Employees Leave Entitlement        | 2,363              | 350                          | -                              | 2,713              |
| Insurance                          | 1,187              | -                            | (150)                          | 1,037              |
| Long Reef SLSC Renewal             | 171                | -                            | -                              | 171                |
| Road Reserve                       | -                  | 95                           | -                              | 95                 |
| SES Building Capital Works         | -                  | 97                           | -                              | 97                 |
| Stormwater Management              | 1,183              | 4,881                        | (6,064)                        | -                  |
| Sportsfield                        | 527                | 1,415                        | (1,942)                        | -                  |
| Infrastructure                     | -                  | 4,598                        | (4,598)                        | -                  |
| <b>Total Internal Restrictions</b> | <b>9,944</b>       | <b>11,462</b>                | <b>(12,908)</b>                | <b>8,498</b>       |
| <b>TOTAL RESTRICTIONS</b>          | <b>43,110</b>      | <b>17,674</b>                | <b>(18,499)</b>                | <b>42,285</b>      |





ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### Note 7

#### NOTE 7 RECEIVABLES

| \$ '000   | 2013         |             | 2012         |             |
|---|--------------|-------------|--------------|-------------|
|   | Current      | Non Current | Current      | Non Current |
| <b>Purpose</b>                                      |              |             |              |             |
| Rates & Annual Charges                              | 2,390        | 323         | 2,048        | 310         |
| Interest & Extra Charges                            | 237          | 192         | 198          | 187         |
| User Charges & Fees                                 | 2,569        | -           | 1,934        | -           |
| Accrued Revenues                                    |              |             |              |             |
| - Interest on Investments                           | 924          | -           | 983          | -           |
| Government Grants & Subsidies                       | 94           | -           | 465          | -           |
| Net GST Receivable                                  | 808          | -           | 1,051        | -           |
| Other Debtors                                       | -            | -           | -            | -           |
| <b>Total</b>  | <b>7,022</b> | <b>515</b>  | <b>6,679</b> | <b>497</b>  |
| <b>less: Provision for Impairment</b>               |              |             |              |             |
| Rates & Annual Charges                              | -            | -           | -            | -           |
| User Charges & Fees                                 | (100)        | -           | (95)         | -           |
| <b>Total Provision for Impairment - Receivables</b> | <b>(100)</b> | <b>-</b>    | <b>(95)</b>  | <b>-</b>    |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>6,922</b> | <b>515</b>  | <b>6,584</b> | <b>497</b>  |
| <b>Externally Restricted Receivables</b>            |              |             |              |             |
| Domestic Waste Management                           | 553          | 101         | 462          | 104         |
| Other   | -            | -           | -            | -           |
| <b>Total External Restrictions</b>                  | <b>553</b>   | <b>101</b>  | <b>462</b>   | <b>104</b>  |
| <b>Internally Restricted Receivables</b>            |              |             |              |             |
| Nil   |              |             |              |             |
| <b>Unrestricted Receivables</b>                     | <b>6,369</b> | <b>414</b>  | <b>6,122</b> | <b>393</b>  |
| <b>TOTAL NET RECEIVABLES</b>                        | <b>6,922</b> | <b>515</b>  | <b>6,584</b> | <b>497</b>  |

#### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 9.00% (2012 9.00%).
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**Note 8 INVENTORIES & OTHER ASSETS**

| \$ '000                                     | 2013         |             | 2012         |             |
|---|--------------|-------------|--------------|-------------|
|   | Current      | Non Current | Current      | Non Current |
| <b>Inventories</b>                          |              |             |              |             |
| Stores & Materials                          | 61           | -           | 66           | -           |
| Trading Stock                               | 32           | -           | 30           | -           |
| <b>Total Inventories</b>                    | <b>93</b>    | <b>-</b>    | <b>96</b>    | <b>-</b>    |
| <b>Other Assets</b>                         |              |             |              |             |
| Prepayments                                 | 1,180        | -           | 1,037        | -           |
| <b>Total Other Assets</b>                   | <b>1,180</b> | <b>-</b>    | <b>1,037</b> | <b>-</b>    |
| <b>TOTAL INVENTORIES &amp; OTHER ASSETS</b> | <b>1,273</b> | <b>-</b>    | <b>1,133</b> | <b>-</b>    |
| <br>(i) Externally Restricted Assets        |              |             |              |             |
| Water                                       |              |             |              |             |
| Nil   |              |             |              |             |
| Sewerage                                    |              |             |              |             |
| Nil   |              |             |              |             |
| Domestic Waste Management                   |              |             |              |             |
| Nil   |              |             |              |             |
| Other                                       |              |             |              |             |
| Nil   |              |             |              |             |
| <b>Total Externally Restricted Assets</b>   | -            | -           | -            | -           |
| <b>Total Internally Restricted Assets</b>   | -            | -           | -            | -           |
| <b>Total Unrestricted Assets</b>            | <b>1,273</b> | <b>-</b>    | <b>1,133</b> | <b>-</b>    |
| <b>TOTAL INVENTORIES &amp; OTHER ASSETS</b> | <b>1,273</b> | <b>-</b>    | <b>1,133</b> | <b>-</b>    |



**ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

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

|   | Asset Movements during the Reporting Period |       |               |                                       |                |           |                  |                             |                         |   | At 30/6/2013 |               |                                       |                |
|---|---|-------|---------------|---------------------------------------|----------------|-----------|------------------|-----------------------------|-------------------------|---|--------------|---------------|---------------------------------------|----------------|
|   | \$ '000                                     | Cost  | At Fair Value | Accumulated Depreciation & Impairment | Carrying value | Additions | WDV of Disposals | Depreciation and Impairment | Adjustments & Transfers | Revaluation Increments/ (decrements) <sup>(1)</sup> | Cost         | At Fair Value | Accumulated Depreciation & Impairment | Carrying value |
| Capital Work in Progress  | -   | 3,644 | -             | -                                     | 3,644          | 2,481     | -                | -                           | (2,638)                 | -   | 3,467        | -             | -                                     | 3,467          |
| Plant & Equipment   | -   | -     | 11,435        | 5,551                                 | 5,884          | 2,455     | (1,284)          | (1,684)                     | (51)                    | -   | -            | 10,772        | 5,434                                 | 5,338          |
| Office Equipment  | -   | -     | 11,959        | 9,188                                 | 2,771          | 1,295     | -                | (869)                       | 162                     | -   | -            | 13,428        | 10,068                                | 3,360          |
| Furniture & Fittings  | -   | -     | 2,944         | 2,473                                 | 471            | 5         | -                | (208)                       | 82                      | -   | -            | 3,433         | 3,063                                 | 350            |
| Plant & Equipment under Finance Lease)                              | -   | -     | 1,592         | 865                                   | 727            | -         | -                | (475)                       | -                       | -   | -            | 940           | 688                                   | 252            |
| Land:   |   |       |               |                                       |                |           |                  |                             |                         |   |              |               |                                       |                |
| - Operational Land  | -   | -     | 147,265       | -                                     | 147,265        | -         | (137)            | -                           | (5,385)                 | 1,721   | -            | 143,464       | -                                     | 143,464        |
| - Community Land  | -   | -     | 1,429,191     | -                                     | 1,429,191      | -         | (1,400)          | -                           | (219)                   | -   | -            | 1,427,572     | -                                     | 1,427,572      |
| - Land Under Roads  | -   | -     | 1,806         | -                                     | 1,806          | -         | -                | -                           | 142                     | -   | -            | 1,948         | -                                     | 1,948          |
| Land Improvements - depreciable                                     | -   | -     | 24,853        | 1,182                                 | 23,671         | 1,663     | -                | (81)                        | (228)                   | -   | -            | 26,281        | 1,256                                 | 25,025         |
| Buildings - Non Specialised   | -   | -     | 191,103       | 76,297                                | 114,806        | 5,683     | -                | (1,923)                     | (644)                   | 29,017  | -            | 188,869       | 41,930                                | 146,939        |
| Buildings - Specialised   | -   | -     | 31,306        | 13,068                                | 18,218         | 357       | -                | (316)                       | -                       | 2,756   | -            | 31,372        | 21,015                                | 21,015         |
| Other Structures  | -   | -     | 61,142        | 8,750                                 | 52,392         | 4,547     | -                | (571)                       | 1,682                   | -   | -            | 67,389        | 9,338                                 | 58,051         |
| Infrastructure:   |   |       |               |                                       |                |           |                  |                             |                         |   |              |               |                                       |                |
| - Roads, Bridges, Footpaths   | -   | -     | 407,769       | 66,335                                | 341,434        | 5,929     | (114)            | (3,719)                     | (73)                    | -   | -            | 413,456       | 70,000                                | 343,456        |
| - Stormwater Drainage   | -   | -     | 336,503       | 98,178                                | 238,325        | 1,942     | -                | (3,531)                     | 744                     | -   | -            | 339,189       | 101,709                               | 237,480        |
| Other Assets:   |   |       |               |                                       |                |           |                  |                             |                         |   |              |               |                                       |                |
| - Library Books   | -   | -     | 7,505         | 5,932                                 | 1,573          | 500       | -                | (526)                       | -                       | -   | -            | 8,005         | 6,458                                 | 1,547          |
| - Other   | -   | -     | -             | -                                     | -              | -         | -                | -                           | -                       | -   | -            | -             | -                                     | -              |
| Reinstatement, Rehabilitation & Restoration Assets (refer Note 2.6) |   |       |               |                                       |                |           |                  |                             |                         |   |              |               |                                       |                |
| - Tip Asset   | -   | -     | 2,019         | 911                                   | 1,108          | 9,610     | -                | (244)                       | -                       | -   | -            | 11,629        | 1,155                                 | 10,474         |
| TOTAL   |   | 3,644 | 2,663,392     | 233,750                               | 2,333,296      | 36,467    | (2,935)          | (14,127)                    | (6,446)                 | 33,494  | 3,467        | 2,687,747     | 261,476                               | 2,426,738      |

Asset acquisitions were apportioned between

|                        |               |
|------------------------|---------------|
| New Assets             | 18,864        |
| Renewals               | 19,603        |
| <b>Total Additions</b> | <b>38,467</b> |

<sup>1)</sup> Operational Land was independently valued by Scott Fullerton FAPI CPP Certified Practising Valuer, Registration No. VAL2144 on 30 June 2013 and Buildings were independently valued by Michelle Cross B. App. Sei (Property Est.) Registered Valuer No. NSW VAL023057 on 30 June 2013.

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 9(b) RESTRICTED INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT**

| \$ '000                                   |            | Actual<br>2013      |                       |                   |            | Actual<br>2012      |                       |                   |  |
|---|------------|---------------------|-----------------------|-------------------|------------|---------------------|-----------------------|-------------------|--|
| Class of Asset                            | At<br>Cost | At<br>Fair<br>Value | A/Dep &<br>Impairment | Carrying<br>Value | At<br>Cost | At<br>Fair<br>Value | A/Dep &<br>Impairment | Carrying<br>Value |  |
| <b>Domestic Waste Management</b>          |            |                     |                       |                   |            |                     |                       |                   |  |
| - 35.5% of 7 Kimbriki Rd Ingleside        |            | 852                 |                       | 852               | -          | 4,476               | -                     | 4,476             |  |
| <b>Total DWM</b>                          | -          | 852                 | -                     | 852               | -          | 4,476               | -                     | 4,476             |  |
| <b>Other Restricted Assets</b>            |            |                     |                       |                   |            |                     |                       |                   |  |
| - 64.5% of 7 Kimbriki Rd Ingleside        |            |                     |                       |                   |            |                     |                       |                   |  |
| - 100% of 8,8A & 10 Kimbriki Rd Ingleside |            | 6,052               |                       | 6,052             | -          | 8,133               | -                     | 8,133             |  |
| - Non-Cash S94 Contribution               |            | 716                 |                       | 716               | -          | 716                 | -                     | 716               |  |
| <b>Total Other Restrictions</b>           | -          | 6,768               | -                     | 6,768             | -          | 8,849               | -                     | 8,849             |  |
| <b>TOTAL RESTRICTED I,PP&amp;E</b>        | -          | 7,620               | -                     | 7,620             | -          | 13,325              | -                     | 13,325            |  |





ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

| \$ '000  | Notes | Actual<br>2013 |               | Actual<br>2012 |              |
|--|-------|----------------|---------------|----------------|--------------|
|  |       | Current        | Non Current   | Current        | Non Current  |
| <b>Payables</b>  |       |                |               |                |              |
| Goods & Services   |       | 1,605          | -             | 1,674          | -            |
| Accrued Expenses   |       |                |               |                |              |
| - Wages and Salaries   |       | 1,066          | -             | 960            |              |
| - Other  |       | 3,978          | -             | 4,357          | 600          |
| Payments Received In Advance   |       | 1,908          | -             | 1,640          | -            |
| Deposits & Retentions  |       | 4,111          | -             | 4,239          | -            |
| Fringe Benefits Tax Payable  |       | 80             | -             | 96             | -            |
| Other Payables   |       | 971            | -             | 800            | -            |
| <b>Total Payables</b>  |       | <b>13,719</b>  | <b>-</b>      | <b>13,766</b>  | <b>600</b>   |
| <b>Current Payables not expected to be settled<br/>within the next 12 months</b>   |       |                |               |                |              |
| Deposits & Retentions  |       | 2,596          | -             | 2,545          | -            |
| <b>Total</b>   |       | <b>2,596</b>   | <b>-</b>      | <b>2,545</b>   | <b>-</b>     |
| <b>Borrowings</b>  |       |                |               |                |              |
| Loans - Secured <sup>(1)</sup>   |       | -              | -             | -              | -            |
| Finance Lease Liability  |       | 261            | 13            | 491            | 274          |
| <b>Total Borrowings</b>  |       | <b>261</b>     | <b>13</b>     | <b>491</b>     | <b>274</b>   |
| <b>Provisions<sup>(2)</sup></b>  |       |                |               |                |              |
| <b>Employee Benefits;</b>  |       |                |               |                |              |
| Annual Leave   |       | 4,302          | -             | 3,916          | -            |
| Sick Leave   |       | 340            | -             | 391            | -            |
| Long Service Leave   |       | 7,682          | 1,031         | 7,378          | 1,017        |
| Gratuities   |       | 4              | 34            | 5              | 35           |
| Redundancies   |       | 172            | -             | 204            | -            |
| <b>Sub Total - Aggregate Employee Benefits</b>                                     |       | <b>12,500</b>  | <b>1,065</b>  | <b>11,894</b>  | <b>1,052</b> |
| Self Insurance - Workers Compensation  |       | 222            | 528           | 197            | 860          |
| - Public Liability   |       | 318            | 719           | 366            | 775          |
| - Other  |       |                |               |                |              |
| Asset Remediation  | 26    | -              | 14,495        | -              | 4,065        |
| Carbon Tax   |       | 31             | 636           | -              | -            |
| <b>Total Provisions</b>  |       | <b>13,071</b>  | <b>17,443</b> | <b>12,457</b>  | <b>6,752</b> |
| <b>Current Provisions not expected to be settled<br/>within the next 12 months</b> |       |                |               |                |              |
|  |       | 7,459          | -             | 6,673          |              |

**Notes:**

<sup>(1)</sup> Loans are secured over the income of Council

<sup>(2)</sup> Vested ELE is all carried as a current provision

**ANNUAL FINANCIAL STATEMENTS**

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2013**
**NOTE 10(a) PAYABLES, BORROWINGS AND PROVISIONS (continued)**

| \$ '000  | Actual<br>2013 |               | Actual<br>2012 |              |
|--|----------------|---------------|----------------|--------------|
|  | Current        | Non Current   | Current        | Non Current  |
| <b>Liabilities relating to Restricted Assets</b>       |                |               |                |              |
| <b>Externally Restricted Assets</b>                    |                |               |                |              |
| Domestic Waste Management                              | 483            | -             | 633            | -            |
| <b>Total</b>   | <b>483</b>     | <b>-</b>      | <b>633</b>     | <b>-</b>     |
| <b>Internally Restricted Assets</b>                    |                |               |                |              |
| Security Bonds, Deposits & Retentions                  | 4,265          | -             | 4,239          | -            |
| Employee Leave Entitlements                            | 2,500          | 213           | 2,218          | 196          |
| Self Insurance Claims - Reserve                        | 222            | 528           | 197            | 860          |
| <b>Total</b>   | <b>6,987</b>   | <b>741</b>    | <b>6,654</b>   | <b>1,056</b> |
| <b>Total Liabilities relating to restricted assets</b> | <b>7,470</b>   | <b>741</b>    | <b>7,287</b>   | <b>1,056</b> |
| <b>Liabilities related to unrestricted assets</b>      | <b>19,579</b>  | <b>16,715</b> | <b>19,427</b>  | <b>6,570</b> |
| <b>Total</b>   | <b>27,049</b>  | <b>17,456</b> | <b>26,714</b>  | <b>7,626</b> |

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

| Class of Provision<br>\$'000 | Opening<br>Balance | Additional<br>Provisions | Payments       | Remeasurement | Closing<br>Balance |
|------------------------------|--------------------|--------------------------|----------------|---------------|--------------------|
| Annual Leave                 | 3,916              | 3,688                    | (3,344)        | 42            | 4,302              |
| Sick Leave                   | 391                | 309                      | (360)          | -             | 340                |
| Long Service Leave           | 8,395              | 1,071                    | (783)          | 30            | 8,713              |
| Gratuities                   | 40                 | (2)                      | -              | -             | 38                 |
| Redundancies                 | 204                | 12                       | (44)           | -             | 172                |
| Self Insurance               | 2,198              | (267)                    | (144)          | -             | 1,787              |
| Asset Remediation            | 4,065              | 10,430                   | -              | -             | 14,495             |
| Carbon Tax                   | -                  | 667                      | -              | -             | 667                |
| <b>TOTAL</b>                 | <b>19,209</b>      | <b>15,908</b>            | <b>(4,675)</b> | <b>72</b>     | <b>30,514</b>      |

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. 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.
- c. Asset Remediation Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.
- d. Specific uncertainties relating to the final costs and the assumptions made in determining Provisions for Self Insurance include:
- Claims Escalation of between 1.993% and 4% per annum and Bond Yields of between 2.471% and 3.955% per annum over a 12 year period;
  - All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2013;
  - Workers Compensation Claim payments projected into the future by the adopted actuarial model will be in "standardised" values as at June 2013; and
  - The outstanding estimates for Public Liability & Professional Indemnity claims include medical, legal and other claim related costs.
- e. The Carbon Tax liability is separate and distinct from the liability for remediation of the landfill site. Landfill deposits made during 2012/2013 are deemed not to commence emitting CO2e gases until 1 July 2012 and hence actual payments to discharge the carbon tax liability will not commence until after that date. The estimation of the future liability is complex and the calculation of the estimate involves estimation of the amount of CO2e gases in each future reporting period.



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

| \$ '000  | Notes | Actual<br>2013 | Actual<br>2012 |
|--|-------|----------------|----------------|
| <b>(a) Reconciliation of Cash Assets</b>   |       |                |                |
| Total Cash & Cash Equivalent Assets  | 6a    | 4,311          | 6,544          |
| <b>Balances as per Statement of Cash Flows</b>   |       | <b>4,311</b>   | <b>6,544</b>   |
| <b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b> |       |                |                |
| <b>Net Operating Result from Income Statement</b>  |       | <b>14,823</b>  | <b>8,738</b>   |
| <b>Add:</b>  |       |                |                |
| Depreciation and Amortisation  |       | 14,127         | 13,880         |
| Increase in Provision for Doubtful Debts   |       | 5              | -              |
| Decrease in Receivables  |       | -              | 1,764          |
| Decrease in Inventories  |       | 3              | -              |
| Decrease in Equity Share in Joint Venture  |       | 113            | -              |
| Increase in Provision for Leave Entitlements   |       | 619            | 881            |
| Increase in Other Provisions   |       | 256            | 178            |
| Increase in Other Current Liabilities  |       | 417            | 45             |
| Unwinding of Discount Rates on Reinstatement Provisions                                      |       | 820            | 230            |
| Fair Value Adjustments to Investment Property  |       | 200            | -              |
| Fair Value Adjustments to Financial Assets through Profit and Loss                           |       | -              | 250            |
|  |       | <b>31,383</b>  | <b>25,966</b>  |
| <b>Less:</b>   |       |                |                |
| Increase in Receivables  |       | (361)          | -              |
| Decrease in Provision for Doubtful Debts   |       | -              | (54)           |
| Increase in Inventories  |       | -              | (6)            |
| Increase in Other Current Assets   |       | (143)          | (175)          |
| Increase in Equity Share in Joint Venture  |       | -              | (377)          |
| Decrease in Payables   |       | (836)          | (4,114)        |
| Gain on Disposal of Assets   |       | (4,781)        | (205)          |
| Fair Value Adjustments to Financial Assets through Profit and Loss                           |       | (23)           | -              |
| <b>NET CASH PROVIDED FROM/(USED IN)</b>  |       |                |                |
| <b>OPERATING ACTIVITIES from CASH FLOW STATEMENT</b>   |       | <b>25,239</b>  | <b>21,035</b>  |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

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

| \$ '000   | Notes | Actual<br>2012 | Actual<br>2011 |
|---|-------|----------------|----------------|
| <b>(c) Non-Cash Investing &amp; Financing Activities</b>            |       |                |                |
| Land  |       | -              | -              |
|   |       | -              | -              |
| <b>(d) Financing Arrangements</b>                                   |       |                |                |
| Unrestricted access was available at balance date to the following: |       |                |                |
| Bank Overdraft Facilities <sup>(1)</sup>                            |       | 500            | 500            |
| Corporate Credit Cards  |       | 150            | 150            |
| Bank Guarantee for possible Workers Compensation Claims             |       | 1,500          | 1,500          |
|   |       | <b>2,150</b>   | <b>2,150</b>   |

**Notes:**

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





ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 12 COMMITMENTS FOR EXPENDITURE

| \$ '000  | Notes | Actual<br>2013 | Actual<br>2012 |
|--|-------|----------------|----------------|
| <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   |       | 5,692          | 2,298          |
| - Plant & Equipment  |       | -              | -              |
| - Office Equipment   |       | -              | 103            |
| - Other Structures   |       | 176            | 1,066          |
| - Infrastructure   |       | 7,141          | 6,812          |
| <b>Total</b>   |       | <b>13,009</b>  | <b>10,279</b>  |
| <b>(b) Finance Lease Commitments</b>   |       |                |                |
| Commitments under Finance Leases at the Reporting Date are payable as follows:   |       |                |                |
| - Not later than one year  |       | 272            | 533            |
| - Later than one year and not later than 5 years   |       | 14             | 285            |
| - Later than 5 years   |       |                |                |
| <b>Total</b>   |       | <b>286</b>     | <b>818</b>     |
| Minimum Lease Payments   |       | <b>286</b>     | <b>818</b>     |
| less: Future Finance Charges   |       | (12)           | (53)           |
| <b>Lease Liability</b>   |       | <b>274</b>     | <b>765</b>     |
| Representing lease liabilities   |       |                |                |
| - Current Liabilities  |       | 261            | 491            |
| - Non-Current Liabilities  |       | 13             | 274            |
| <b>Total</b>   |       | <b>274</b>     | <b>765</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  |       | 54             | 109            |
| - Later than one year and not later than 5 years   |       | 97             | 37             |
| - Later than 5 years   |       | -              | -              |
| <b>Total</b>   |       | <b>151</b>     | <b>146</b>     |
| <b>Description of leases</b>   |       |                |                |
| Information Technology Equipment Leases due to expire 2016   |       |                |                |
| <b>(d) Repairs and Maintenance: Investment Property</b>  |       |                |                |
| Contractual Obligations for future repairs and maintenance   |       | -              | -              |
| <b>Total</b>   |       | <b>-</b>       | <b>-</b>       |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 13 STATEMENT OF PERFORMANCE MEASURES - CONSOLIDATED RESULTS**

|  | Amounts | Indicator |        |        |
|--|---------|-----------|--------|--------|
| \$ '000  | 2013    | 2013      | 2012   | 2011   |
| <b>1. Unrestricted Current Ratio</b>   |         |           |        |        |
| Current Assets less all External Restrictions <sup>(1)</sup>                                       | 67,273  | 4.07      | 3.35   | 2.74   |
| Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>                             | 16,513  |           |        |        |
| <b>2. Debt Service Ratio</b>   |         |           |        |        |
| Debt Service Cost  | 573     | 0.40%     | 0.54%  | 1.54%  |
| Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions | 144,992 |           |        |        |
| <b>3. Rates &amp; Annual Charges Coverage Ratio</b>  |         |           |        |        |
| Rates & Annual Charges   | 88,201  | 58.26%    | 58.12% | 57.51% |
| Revenue from Continuing Operations   | 151,386 |           |        |        |
| <b>4a. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>              |         |           |        |        |
| Rates, Annual & Extra Charges Outstanding  | 3,142   | 3.44%     | 3.18%  | 3.31%  |
| Rates, Annual & Extra Charges Collectible  | 91,278  |           |        |        |
| <b>4b. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage *</b>            |         |           |        |        |
| Rates, Annual & Extra Charges Outstanding  | 2,631   | 2.88%     | 2.36%  | 2.51%  |
| Rates, Annual & Extra Charges Collectible  | 91,278  |           |        |        |

\* It is Council's policy not to pursue pensioners for outstanding rates.  
This calculation is used to demonstrate to users the effect of actively pursuing outstanding amounts from pensioners.

**5. Building & Infrastructure  
Renewals Ratio**

|  |        |         |         |         |
|--|--------|---------|---------|---------|
| Asset Renewals <sup>(4)</sup> [Buildings & Infrastructure]                 | 14,632 | 154.20% | 154.60% | 186.13% |
| Depreciation, Amortisation & Impairment (Building & Infrastructure Assets) | 9,489  |         |         |         |

**Notes**

<sup>(1)</sup> Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

<sup>(2)</sup> Refer to Note 10(a).

<sup>(3)</sup> Refer to Note 10(c) - excludes all ELE not expected to be paid in the next 12 months.

<sup>(4)</sup> Asset Renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 13 STATEMENT OF TCORP PERFORMANCE MEASURES - CONSOLIDATED RESULTS

| \$ '000   | Amounts<br>2013 | Indicator<br>2013 | 2012    | 2011    |
|---|-----------------|-------------------|---------|---------|
| <b>1. Operating Performance</b>   |                 |                   |         |         |
| Operating Revenue excluding Capital Grants and Contributions less Operating Expenses                              | 10,853          | 7.36%             | 3.30%   | 1.73%   |
| Operating Revenue excluding Capital Grants and Contributions  | 147,416         |                   |         |         |
| <b>2. Own Source Operating Revenue</b>  |                 |                   |         |         |
| Rates, Utilities and Charges <sup>(1)</sup>   | 120,502         | 79.60%            | 80.35%  | 79.48%  |
| Total Operating Revenue (inclusive of Capital Grants and Contributions)   | 151,386         |                   |         |         |
| <b>3. Unrestricted Current Ratio</b>  |                 |                   |         |         |
| Current Assets less all External Restrictions   | 67,273          | 4.07              | 3.35    | 2.74    |
| Current Liabilities less Specific Purpose Liabilities   | 16,513          |                   |         |         |
| <b>4. Debt Service Cover Ratio</b>  |                 |                   |         |         |
| Operating Results before Interest and Depreciation (EBITDA)   | 573             | 0.40%             | 0.54%   | 1.54%   |
| Principal Repayments (from the Statement of Cash Flows) plus Borrowing Interest Costs (from the Income Statement) | 144,992         |                   |         |         |
| <b>5. Capital Expenditure Ratio</b>   |                 |                   |         |         |
| Annual Capital Expenditure  | 36,467          | 2.58              | 2.08    | 2.42    |
| Annual Depreciation   | 14,127          |                   |         |         |
| <b>6. Building &amp; Infrastructure Renewals Ratio</b>  |                 |                   |         |         |
| Asset Renewals  | 14,632          | 154.20%           | 154.60% | 186.13% |
| Depreciation of Building & Infrastructure Assets  | 9,489           |                   |         |         |
| <b>7. Cash Expense Cover Ratio<sup>(2)</sup></b>  |                 |                   |         |         |
| Cash and Cash Equivalents   | 4,311           | 0.43              | 0.65    | 1.17    |
| (Total Expenses less Depreciation less Interest Costs) ÷ 12   | 10,128          |                   |         |         |
| <b>8. Interest Cover Ratio</b>  |                 |                   |         |         |
| Operating Results before Interest and Depreciation (EBITDA)   | 29,852          | 33.10             | 73.49   | 69.95   |
| Borrowing Interest Costs (from the Income Statement)  | 902             |                   |         |         |

**Notes**

<sup>(1)</sup> Rates & Annual Charges plus User Charges and Fees

<sup>(2)</sup> In order to maximise interest earning Council maintains a minimum balance of Cash and Cash Equivalents and had \$41.67m of unrestricted current investments to support its liquidity position.

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 14 INVESTMENT PROPERTIES**

| \$ '000  | Notes | Actual<br>2013 | Actual<br>2012 |
|--|-------|----------------|----------------|
| <b>(a) Investment Properties at Fair value</b> |       |                |                |
|  |       | 1,900          | 2,100          |
| Investment Properties on Hand                  |       | 1,900          | 2,100          |
| <b>Reconciliation of Annual Movement:</b>      |       |                |                |
| Opening Balance                                |       | 2,100          | 2,100          |
| - Net Gain/(Loss) from Fair Value Adjustments  |       | (200)          | -              |
| <b>CLOSING BALANCE - INVESTMENT PROPERTIES</b> |       | <b>1,900</b>   | <b>2,100</b>   |

**(b) Valuation Basis**

The basis of Valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2013 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd., Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

**(c) Contractual Obligations at Reporting Date**

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

**(d) Leasing Arrangements**

Details of leased Investment Properties are as follows:

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:

|  |           |            |
|--|-----------|------------|
| Within 1 year                                  | 81        | 193        |
| Later than 1 year but less than 5 years        | -         | 498        |
| Later than 5 years                             | -         | -          |
| <b>Total Minimum Lease Payments Receivable</b> | <b>81</b> | <b>691</b> |

**(e) Investment Property Income & Expenditure - summary**

**Rental Income from Investment Properties:**

|                          |     |     |
|--------------------------|-----|-----|
| - Minimum Lease Payments | 151 | 184 |
|--------------------------|-----|-----|

**Direct Operating Expenses on Investment Properties:**

|                                |      |      |
|--------------------------------|------|------|
| - that generated rental income | (14) | (22) |
|--------------------------------|------|------|

|  |            |            |
|--|------------|------------|
| <b>Net Revenue Contribution from Investment Properties</b> | <b>137</b> | <b>162</b> |
|--|------------|------------|

plus:

|                              |       |   |
|------------------------------|-------|---|
| Fair Value Movement for year | (200) | - |
|------------------------------|-------|---|

|   |             |            |
|---|-------------|------------|
| <b>Total Income attributable to Investment Properties</b> | <b>(63)</b> | <b>162</b> |
|---|-------------|------------|





## ANNUAL FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

#### 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 Section under policies approved by the Council.

Council held the following financial instruments at balance date:

| \$'000   | Carrying Value |               | Fair Value    |               |
|--|----------------|---------------|---------------|---------------|
|  | 2013           | 2012          | 2013          | 2012          |
| <b>Financial Assets</b>  |                |               |               |               |
| Cash and Cash Equivalents  | 4,311          | 6,544         | 4,311         | 6,544         |
| Receivables  | 7,437          | 7,081         | 7,437         | 7,081         |
| Financial Assets at Fair value through profit or loss - Held for Trading | 2,279          | 4,316         | 2,279         | 4,316         |
| Held-to-Maturity Investments   | 77,519         | 68,539        | 77,519        | 68,539        |
| <b>Total Financial Assets</b>  | <b>91,546</b>  | <b>86,480</b> | <b>91,546</b> | <b>86,480</b> |
| <b>Financial Liabilities</b>   |                |               |               |               |
| Payables   | 11,811         | 12,726        | 11,811        | 12,726        |
| Loans / Advances   | 274            | 765           | 274           | 765           |
| <b>Total Financial Liabilities</b>                                       | <b>12,085</b>  | <b>13,491</b> | <b>12,085</b> | <b>13,491</b> |

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - estimated to be the carrying value which approximates market value.
- **Borrowings & Held to Maturity Investments** - estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles.
- **Financial Assets classified at Fair Value through profit and loss** - based upon quoted market prices in active markets for identical investments.

##### Fair Value Hierarchy

The fair values of financial instruments carried at fair value have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The levels of the hierarchy are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The value of financial instruments carried at fair value shown in the relevant level of the hierarchy is shown below:

| \$ '000 | Notes | Actual | Actual |
|---------|-------|--------|--------|
|         |       | 2013   | 2012   |
| Level 1 |       | 992    | 2,956  |
| Level 2 |       | 1,287  | 1,360  |
| Level 3 |       | -      | -      |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

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

\$ '000

**(a) Cash and Cash Equivalents**

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

**Held-to-Maturity Investments**

Council's objective is to maximise its return on cash & investments whilst maintaining an adequate level of liquidity and preserving capital. Council's Financial Section manages its Cash & 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 major risk associated with investments is price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.

Cash and investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns.

Another risk associated with cash and investments is 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 independent advisers before placing any cash and investments.

| \$'000   | 2013 | 2012 |
|--|------|------|
| Impact of a 10% <sup>(1)</sup> movement in price of Investments                  |      |      |
| - Equity   | 228  | 432  |
| - Income Statement <sup>(2)</sup>  | 228  | 432  |
| Impact of a 1% <sup>(1)</sup> movement in Interest Rates on Cash and Investments |      |      |
| - Equity   | 841  | 794  |
| - Income Statement <sup>(2)</sup>  | 841  | 794  |

**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.



## ANNUAL FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

##### **(b) Receivables**

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

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.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

|  | 2013 | 2012 |
|--|------|------|
| Percentage of Rates and Annual Charges |      |      |
| - Current                              | -    | -    |
| - Overdue                              | 100% | 100% |
| Percentage of Other Receivables        |      |      |
| - Current                              | 93%  | 77%  |
| - Overdue                              | 7%   | 23%  |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

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

\$ '000

**(c) Payables & Borrowings**

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

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

| \$'000                             | Due<br>Within<br>1 Year | Due<br>Between<br>1 and 5 Years | Due after<br>5 Years | Total<br>Contractual<br>Cash Flows | Carrying<br>Values |
|------------------------------------|-------------------------|---------------------------------|----------------------|------------------------------------|--------------------|
| <b>2013</b>                        |                         |                                 |                      |                                    |                    |
| Payables                           | 11,809                  | -                               | -                    | 11,809                             | 11,809             |
| Borrowings                         | 272                     | 14                              | -                    | 286                                | 274                |
| <b>Total Financial Liabilities</b> | <b>12,081</b>           | <b>14</b>                       | <b>-</b>             | <b>12,095</b>                      | <b>12,083</b>      |
| <b>2012</b>                        |                         |                                 |                      |                                    |                    |
| Payables                           | 12,126                  | 600                             | -                    | 12,726                             | 12,726             |
| Borrowings                         | 533                     | 285                             | -                    | 818                                | 765                |
| <b>Total Financial Liabilities</b> | <b>12,659</b>           | <b>885</b>                      | <b>-</b>             | <b>13,544</b>                      | <b>13,491</b>      |

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

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

|                           | 2013                                 |                   | 2012                                 |                   |
|---------------------------|--------------------------------------|-------------------|--------------------------------------|-------------------|
|                           | Weighted<br>Average<br>Interest Rate | Balance<br>\$'000 | Weighted<br>Average<br>Interest Rate | Balance<br>\$'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.





## ANNUAL FINANCIAL STATEMENTS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

#### NOTE 16 MATERIAL BUDGET VARIATIONS

Council's Original Financial Budget for 2012/13 was incorporated as part of its Strategic Community Plan and was adopted by the Council on 28 June 2012.

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   | 2013<br>Budget | 2013<br>Actual | 2013<br>----- Variance ----- |                |
|---|----------------|----------------|------------------------------|----------------|
| <b>REVENUES</b>   |                |                |                              |                |
| Rates & Annual Charges  | 88,240         | 88,201         | (39)                         | 0% <b>U</b>    |
| User Charges & Fees   | 32,035         | 32,301         | 266                          | 1% <b>F</b>    |
| Interest & Investment Revenue   | 3,932          | 4,437          | 505                          | 13% <b>F</b>   |
| This variance is principally due to the strong performance of the Council's investment portfolio which has exceeded the bank bill benchmark return by over 1% and higher than anticipated cash balances due to lower than budgeted expenditure on Capital Projects. |                |                |                              |                |
| Other Revenues  | 9,468          | 10,408         | 940                          | 10% <b>F</b>   |
| This variance is due to positive variances in a range of areas including parking and other fines, legal and insurance claim recoveries, recycling income and waste performance improvement payments.  |                |                |                              |                |
| Operating Grants & Contributions  | 7,243          | 7,288          | 45                           | 1% <b>F</b>    |
| Capital Grants & Contributions  | 4,785          | 3,970          | (815)                        | (17%) <b>U</b> |
| This variance is principally due to a lower than anticipated level of developer contributions   |                |                |                              |                |
| Net Gains on the Disposal of Assets   | 4,355          | 4,781          | 426                          | 10% <b>F</b>   |
| This gain reflects the positive nature of the disposal of fleet vehicles, land held for resale and the Northern Beaches Hospital site at Frenchs Forest which were all slightly higher than anticipated.  |                |                |                              |                |
| Share of Net Gain - Joint Ventures & Associates   | -              | -              | -                            | 0% <b>-</b>    |
| <b>EXPENSES</b>   |                |                |                              |                |
| Employee Benefits & On-Costs  | 56,465         | 55,776         | 689                          | 1% <b>F</b>    |
| Borrowing Costs   | 729            | 902            | (173)                        | (24%) <b>U</b> |
| This variance reflects a higher amortisation of the discount as a result of revised costs for Council's remediation responsibilities at the Kimbriki Waste Landfill site  |                |                |                              |                |
| Materials & Contracts   | 48,048         | 48,002         | 46                           | 0% <b>F</b>    |
| Depreciation & Amortisation   | 14,286         | 14,127         | 159                          | 1% <b>F</b>    |
| Other Expenses  | 16,991         | 17,644         | (653)                        | (4%) <b>U</b>  |
| Share of Net Loss - Joint Ventures & Associates   | 693            | 113            | 581                          | 84% <b>F</b>   |
| This variance relates to a lower than anticipated level of expenses for the Warringah/Pittwater Rural Fire Service.   |                |                |                              |                |

ANNUAL FINANCIAL STATEMENTS



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS**

\$ '000

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

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

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

**SUMMARY OF CONTRIBUTIONS & LEVIES**

| PURPOSE                                 | Contributions received during the Year |              |          |                         |                  | Projections                  |                          |               |                       |                         |  |
|---|--|--------------|----------|-------------------------|------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
|   | Opening Balance                        | Cash         | Non Cash | Interest earned in Year | Exp. during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Future income | Exp still outstanding | Over or (under) Funding | Cumulative Internal Borrowings due/(payable) |
| Traffic Facilities                      | 997                                    | 7            | -        | 48                      | -                | -                            | 1,052                    | -             | (1,052)               | -                       | -  |
| Parking                                 | 5,779                                  | -            | -        | 287                     | (16)             | -                            | 6,050                    | -             | (6,050)               | -                       | -  |
| Open Space                              | 12,382                                 | 194          | -        | 622                     | -                | -                            | 13,198                   | -             | (13,198)              | -                       | -  |
| Community Facilities                    | 4,257                                  | 5            | -        | 202                     | (1,560)          | -                            | 2,904                    | -             | (2,904)               | -                       | -  |
| Other                                   | 2,519                                  | -            | -        | 126                     | -                | -                            | 2,645                    | -             | (2,645)               | -                       | -  |
| <b>S94 Contributions - under a Plan</b> | <b>25,934</b>                          | <b>206</b>   | <b>-</b> | <b>1,285</b>            | <b>(1,576)</b>   | <b>-</b>                     | <b>25,849</b>            | <b>-</b>      | <b>(25,849)</b>       | <b>-</b>                | <b>-</b>                                     |
| <b>S94 A Levies - under a Plan</b>      | <b>5,564</b>                           | <b>1,941</b> | <b>-</b> | <b>268</b>              | <b>(3,082)</b>   | <b>-</b>                     | <b>4,691</b>             | <b>10,000</b> | <b>(14,691)</b>       | <b>-</b>                | <b>-</b>                                     |
| <b>Total S94 Revenue Under Plans</b>    | <b>31,498</b>                          | <b>2,147</b> | <b>-</b> | <b>1,553</b>            | <b>(4,658)</b>   | <b>-</b>                     | <b>30,540</b>            | <b>10,000</b> | <b>(40,540)</b>       | <b>-</b>                | <b>-</b>                                     |
| S94 not under Plans                     | 811                                    | -            | -        | 1                       | (45)             | -                            | 767                      | -             | (767)                 | -                       | -  |
| <b>Total Contributions</b>              | <b>32,309</b>                          | <b>2,147</b> | <b>-</b> | <b>1,554</b>            | <b>(4,703)</b>   | <b>-</b>                     | <b>31,307</b>            | <b>10,000</b> | <b>(41,307)</b>       | <b>-</b>                | <b>-</b>                                     |
| Less: Land                              | (716)                                  | -            | -        | -                       | -                | -                            | (716)                    | -             | 716                   | -                       | -  |
| <b>Total Cash Contributions</b>         | <b>31,593</b>                          | <b>2,147</b> | <b>-</b> | <b>1,554</b>            | <b>(4,703)</b>   | <b>-</b>                     | <b>30,591</b>            | <b>10,000</b> | <b>(40,591)</b>       | <b>-</b>                | <b>-</b>                                     |



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS (continued)

| \$ '000                                 |                 |  |          |                         |                 |                              |                          |               |                       |                         |  |
|---|-----------------|--|----------|-------------------------|-----------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| <b>S94 CONTRIBUTIONS - UNDER A PLAN</b> |                 |  |          |                         |                 |                              |                          |               |                       |                         |  |
| PURPOSE                                 | Opening Balance | Contributions received during the Year |          |                         | Exp during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Future income | Projections           |                         |  |
|   |                 | Cash                                   | Non Cash | Interest earned in Year |                 |                              |                          |               | Exp still outstanding | Over or (under) Funding | Cumulative Internal Borrowings due/(payable) |
| Traffic Facilities                      | 997             | 7                                      | -        | 48                      | -               | -                            | 1,052                    | -             | (1,052)               | -                       | -  |
| Parking                                 | 5,779           | -                                      | -        | 287                     | (16)            | -                            | 6,050                    | -             | (6,050)               | -                       | -  |
| Open Space                              | 12,382          | 194                                    | -        | 622                     | -               | -                            | 13,198                   | -             | (13,198)              | -                       | -  |
| Community Facilities                    | 4,257           | 5                                      | -        | 202                     | (1,560)         | -                            | 2,904                    | -             | (2,904)               | -                       | -  |
| Other                                   | 2,519           | -                                      | -        | 126                     | -               | -                            | 2,645                    | -             | (2,645)               | -                       | -  |
| <b>Total</b>                            | <b>25,934</b>   | <b>206</b>                             | <b>-</b> | <b>1,285</b>            | <b>(1,576)</b>  | <b>-</b>                     | <b>25,849</b>            | <b>-</b>      | <b>(25,849)</b>       | <b>-</b>                | <b>-</b>                                     |

### S94A LEVIES - UNDER A PLAN

| CONTRIBUTION PLAN |                 |  |          |                         |                 |                              |                          |               |                       |                         |  |
|-------------------|-----------------|--|----------|-------------------------|-----------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| \$'000            |                 |  |          |                         |                 |                              |                          |               |                       |                         |  |
| PURPOSE           | Opening Balance | Contributions received during the Year |          |                         | Exp during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Future income | Projections           |                         |  |
|                   |                 | Cash                                   | Non Cash | Interest earned in Year |                 |                              |                          |               | Exp still outstanding | Over or (under) Funding | Cumulative Internal Borrowings due/(payable) |
| Other             | 5,584           | 1,941                                  | -        | 268                     | (3,082)         | -                            | 4,691                    | 10,000        | (14,691)              | -                       | -  |
| <b>Total</b>      | <b>5,584</b>    | <b>1,941</b>                           | <b>-</b> | <b>268</b>              | <b>(3,082)</b>  | <b>-</b>                     | <b>4,691</b>             | <b>10,000</b> | <b>(14,691)</b>       | <b>-</b>                | <b>-</b>                                     |

### S94 LEVIES - NOT UNDER A PLAN

| \$'000                       |                 |  |          |                         |                 |                              |                          |               |                       |                         |  |
|------------------------------|-----------------|--|----------|-------------------------|-----------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| PURPOSE                      | Opening Balance | Contributions received during the Year |          |                         | Exp during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Future income | Projections           |                         |  |
|                              |                 | Cash                                   | Non Cash | Interest earned in Year |                 |                              |                          |               | Exp still outstanding | Over or (under) Funding | Cumulative Internal Borrowings due/(payable) |
| Drainage                     | 44              | -                                      | -        | 1                       | (45)            | -                            | -                        | -             | -                     | -                       | -  |
| Child Care Reserve- Austlink | 48              | -                                      | -        | -                       | -               | -                            | 48                       | -             | (48)                  | -                       | -  |
| Other                        | 3               | -                                      | -        | -                       | -               | -                            | 3                        | -             | (3)                   | -                       | -  |
| Land                         | 716             | -                                      | -        | -                       | -               | -                            | 716                      | -             | (716)                 | -                       | -  |
| <b>Total</b>                 | <b>811</b>      | <b>-</b>                               | <b>-</b> | <b>1</b>                | <b>(45)</b>     | <b>-</b>                     | <b>767</b>               | <b>-</b>      | <b>(767)</b>          | <b>-</b>                | <b>-</b>                                     |

ANNUAL FINANCIAL STATEMENTS



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18 CONTINGENCIES

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

CONTINGENT LIABILITIES

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

"The Local Government Superannuation Scheme – Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2013 was \$1,189,134. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists. Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions payable until the deficit is extinguished is \$588,369.

(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 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) WorkCover

Council has provided a \$1.5 million guarantee to WorkCover as a provision for all known liabilities disclosed in an Actuarial Report prepared by David Zaman Pty Ltd. as at 6 May 2013.

(iv) Other Guarantees

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

2. Other Liabilities

(i) Third Party Claims

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

(ii) S94 Plans

Council levies Section 94 and 94A Contributions upon various developments across the Council area through the required Contributions Plans. As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans. As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds. These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

(iii) Legal Expenses

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

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

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

**ANNUAL FINANCIAL STATEMENTS****NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 18 CONTINGENCIES** (Continued)**(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. Councils Revenue Recognition policy for such income is to account for it as revenue on receipt. Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

**(iii) Building Commencements**

There were no current construction certificates on hand awaiting collection.

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



ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 19 INTERESTS IN SUBSIDIARIES AND JOINT VENTURES

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

#### Subsidiary

Note 19(a)

Operational Arrangements where Council's ownership exceeds 50%

#### Joint Venture Entities

Note 19(b)

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

#### Accounting Recognition:

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

#### (a) Subsidiary

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

| \$ '000  | Notes | Actual<br>2013 | Actual<br>2012 |
|--|-------|----------------|----------------|
| <b>Current Assets</b>                                      |       |                |                |
| Cash and Cash Equivalents                                  |       | 2,628          | 2,256          |
| Investments  |       | 11,519         | 10,539         |
| Receivables  |       | 1,696          | 1,590          |
| <b>Total Current Assets</b>                                |       | <b>15,843</b>  | <b>14,385</b>  |
| <b>Non-Current Assets</b>                                  |       |                |                |
| Infrastructure, Property, Plant & Equipment                |       | 2,727          | 2,123          |
| Intangibles  |       | 1,991          | 1,840          |
| <b>Total Non-Current Assets</b>                            |       | <b>4,718</b>   | <b>3,963</b>   |
| <b>Total Assets</b>  |       | <b>20,561</b>  | <b>18,348</b>  |
| <b>Current Liabilities</b>                                 |       |                |                |
| Payables   |       | 1,869          | 2,044          |
| Provisions   |       | 563            | 491            |
| <b>Total Current Liabilities</b>                           |       | <b>2,432</b>   | <b>2,535</b>   |
| <b>Non-Current Liabilities</b>                             |       |                |                |
| Payables   |       | 1,020          | 600            |
| Provisions   |       | 636            | -              |
| <b>Total Non-Current Liabilities</b>                       |       | <b>1,656</b>   | <b>600</b>     |
| <b>Total Liabilities</b>                                   |       | <b>4,088</b>   | <b>3,135</b>   |
| <b>Net Assets</b>  |       | <b>16,473</b>  | <b>15,213</b>  |
| <b>Equity</b>  |       |                |                |
| Share Capital  |       | 10,033         | 10,033         |
| Retained Earnings  |       | 6,440          | 5,180          |
| <b>Total Equity</b>  |       | <b>16,473</b>  | <b>15,213</b>  |
| <b>Share of Subsidiary's revenue, expenses and results</b> |       |                |                |
| Revenues   |       | 12,379         | 11,454         |
| Expenses   |       | 11,204         | 10,122         |
| <b>Operating Result</b>                                    |       | <b>1,175</b>   | <b>1,331</b>   |
| <b>Share of Subsidiary's commitments</b>                   |       |                |                |
| Expenditure Commitments                                    |       | 14,600         | 4,016          |
| Operating Lease Commitments                                |       | 20,786         | 20,940         |
| Other Commitments  |       | 2,002          | 1,567          |
| <b>Total Commitments</b>                                   |       | <b>37,388</b>  | <b>26,523</b>  |



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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

#### (b) Joint Venture Entity

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

| \$ '000   | Notes | Actual<br>2013 | Actual<br>2011 |
|---|-------|----------------|----------------|
| <b>Current Assets</b>   |       |                |                |
| Cash and Cash Equivalents                                     |       | 1,023          | 1,091          |
| Receivables   |       | 3              | 1              |
| Total Current Assets  |       | 1,026          | 1,092          |
| <b>Non-Current Assets</b>                                     |       |                |                |
| Infrastructure, Property, Plant & Equipment                   |       | 87             | 134            |
| Total Non-Current Assets                                      |       | 87             | 134            |
| <b>Total Assets</b>   |       | 1,113          | 1,226          |
| <b>Current Liabilities</b>                                    |       |                |                |
| Payables  |       | -              | -              |
| Total Current Liabilities                                     |       | -              | -              |
| <b>Total Liabilities</b>                                      |       | -              | -              |
| <b>Net Assets</b>   |       | 1,113          | 1,226          |
| <b>Share of Joint Venture's revenue, expenses and results</b> |       |                |                |
| Revenues  |       | 563            | 1,060          |
| Expenses  |       | 675            | 683            |
| <b>Operating Result</b>                                       |       | (113)          | 377            |
| <b>Share of Joint Venture's commitments</b>                   |       |                |                |
| Expenditure Commitments                                       |       | -              | -              |
| <b>Total Commitments</b>                                      |       | -              | -              |

ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 20 RETAINED EARNINGS AND REVALUATION RESERVES

| \$ '000   | Notes  | Actual<br>2013   | Actual<br>2012   |
|---|--------|------------------|------------------|
| <b>(a) Retained Earnings</b>  |        |                  |                  |
| <b>Movements in Retained Earnings were as follows:</b>  |        |                  |                  |
| Balance at beginning of Year  |        | 2,326,286        | 2,318,827        |
| Adjustment to correct Prior Period Errors   | 20 (d) | -                | -                |
| Adjustment for Changes in Accounting Policies   | 20 (e) | -                | -                |
| Net Operating Result for the Year   |        | 13,694           | 7,459            |
| <b>Balance at end of Year</b>   |        | <b>2,339,980</b> | <b>2,326,286</b> |
| <b>(b) Reserves</b>   |        |                  |                  |
| Infrastructure, Property, Plant & Equipment Revaluation Reserve   |        | 144,312          | 110,929          |
| <b>Total</b>  |        | <b>144,312</b>   | <b>110,929</b>   |
| <b>Movements</b>  |        |                  |                  |
| <b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>  |        |                  |                  |
| Balance at beginning of Year  |        | 110,929          | 110,929          |
| Adjustment to correct Prior Period Errors   | 20 (d) | -                | -                |
| Disposals   |        | (111)            | -                |
| Revaluations for the year   | 9(a)   | 33,494           | -                |
| <b>Balance at end of Year</b>   |        | <b>144,312</b>   | <b>110,929</b>   |
| <b>(c) Nature and Purpose of Reserves</b>   |        |                  |                  |
| <b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>  |        |                  |                  |
| The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments and decrements on the revaluation of non-current assets. |        |                  |                  |
| <b>(d) Correction of Errors in Previous Periods</b>   |        |                  |                  |
| There has not been any correction of errors in previous periods   |        |                  |                  |
| <b>(e) Changes in Accounting Policies</b>   |        |                  |                  |
| There has not been any changes in accounting policies impacting on retained earnings.   |        |                  |                  |



ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 21 RESULTS BY FUND

Council does not have any Water or Sewer Funds.

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

| \$ '000   | Actual<br>2013 |             | Actual<br>2012 |             |
|---|----------------|-------------|----------------|-------------|
|   | Current        | Non Current | Current        | Non Current |
| Land  | 7,952          | -           | 2,571          | -           |
| Buildings   | 1,357          | -           | 373            | -           |
| <b>Total Non Current Assets Held for Sale</b>             | <b>9,309</b>   | <b>-</b>    | <b>2,944</b>   | <b>-</b>    |
| <b>Reconciliation of Non Current Assets Held for Sale</b> |                |             |                |             |
| Opening Balance   | 2,944          |             | 2,944          | -           |
| less: Carrying Value of Assets/Operations Sold            | (82)           |             | -              | -           |
| Balance still unsold after 12 months:                     | 2,862          | -           | 2,944          | -           |
| plus New Transfer in:                                     |                |             |                |             |
| Assets "Held for Sale"                                    | 6,447          | -           | -              | -           |
| <b>Closing Balance of "Held for Sale"</b>                 |                |             |                |             |
| <b>Non Current Assets &amp; Operations</b>                | <b>9,309</b>   | <b>-</b>    | <b>2,944</b>   | <b>-</b>    |

## ANNUAL FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 23 EVENTS OCCURRING AFTER BALANCE SHEET DATE

Events that occur after the reporting date of 30 June 2013, 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 Report.

Accordingly, the "authorised for issue" date is 07/08/13.

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

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

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

Council is unaware of any 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<br>2013 | Actual<br>2012 |
|---|-------|----------------|----------------|
| At Cost                                       |       | 1,991          | 1,840          |
| Accumulated Amortisation & Impairment         |       | -              | -              |
| <b>Net Book Amount</b>                        |       | <b>1,991</b>   | <b>1,840</b>   |
| <b>Movements for the year</b>                 |       |                |                |
| Opening Net Book Amount                       |       | 1,840          | 1,270          |
| Additions - internal development              |       | 151            | 570            |
| Amortisation Charge                           |       | -              | -              |
| <b>Closing Net Book Amount <sup>(1)</sup></b> |       | <b>1,991</b>   | <b>1,840</b>   |

##### Notes:

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





ANNUAL FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

### NOTE 26 REINSTATEMENT, REHABILITATION & RESTORATION LIABILITIES

| \$ '000   |                               | Note                               |
|---|-------------------------------|------------------------------------|
| Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations: |                               |                                    |
| Asset/Operation   | Estimated year of restoration | NPV of Provision<br>2013      2012 |
| Recycling Tip   | 2056                          | 14,495      4,065                  |
| Balance at End of the Reporting Period  | 10                            | 14,495      4,065                  |

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- Estimation of the closure and post closure cost was limited to the extent that there was uncertainty in the cost amount. It was assumed that the closure and post closure costs would be incurred
- The probabilistic approach used in the remediation plan assumes that there is virtually no upper limit to the cost distributions used in the model and that for each cost estimate distribution that higher costs have lower likelihoods of being incurred. The costs are estimates and there is some chance (extremely low) that the costs could be substantially exceeded.
- Environmental laws and relevant codes, guidelines and standards of any authority, applicable at the time the remediation plan was undertaken continue to apply.

#### Reconciliation of movement in Provision for year:

|  |               |              |
|--|---------------|--------------|
| Balance at beginning of year   | 4,065         | 3,835        |
| Revised Costs  | 9,610         | -            |
| Effect of a change in discount rates used in PV calculations           | -             | -            |
| Amortisation of discount (expensed to borrowing costs)                 | 820           | 230          |
| <b>Total - Reinstatement, rehabilitation and restoration provision</b> | <b>14,495</b> | <b>4,065</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.

## ANNUAL FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 JUNE 2013

**NOTE 27 ADDITIONAL DISCLOSURES - COUNCIL INFORMATION AND CONTACT DETAILS**

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**Principal Place of Business:**725 Pittwater Road  
Dee Why NSW 2099**Contact Details****Mailing Address:**DX 9118  
Dee Why NSW 2099**Telephone:** 02 9942 2111**Facsimile:** 02 9971 4522**Officers****GENERAL MANAGER**

Rik Hart

**RESPONSIBLE ACCOUNTING OFFICER**

David Walsh

**PUBLIC OFFICER**

John Warburton

**AUDITORS**

Hill Rogers Spencer Steer

**Other Information****ABN:** 31 565 068 406**Opening Hours**Monday to Friday  
8.30am - 5.00pmInternet: [www.warringah.nsw.gov.au](http://www.warringah.nsw.gov.au)Email: [council@warringah.nsw.gov.au](mailto:council@warringah.nsw.gov.au)**Elected Members****MAYOR**

Michael Regan

**COUNCILLORS**

Wayne Gobert OAM

Vanessa Moskel

Vincent De Luca OAM

Sue Heins

Bob Giltinan

Pat Daley

Roslyn Harrison

Duncan Kerr

Jose Menano-Pires



**ANNUAL FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2013**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying **general purpose financial statements** of **Warringah Council**, which comprises the Statement of Financial Position as at 30 June 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

**Responsibility of Council for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Independence**

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

**Auditor's Opinion**

In our opinion,

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

**HILL ROGERS SPENCER STEER**

**G V STEER**  
Partner

Dated at Sydney this 7<sup>th</sup> day of August 2013

## ANNUAL FINANCIAL STATEMENTS



## INDEPENDENT AUDITORS' REPORT

7 August 2013

### The Mayor

Warringah Council  
Pittwater Road  
DEE WHY NSW 2099

### Audit Report - Year Ended 30 June 2013

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2013 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 accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

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

### 1. RESULTS FOR THE YEAR

#### 1.1 Operating Result

The operating result for the year was a surplus of \$13.694 million as compared with \$7.459 million in the previous year.

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

|  | 2013           | % of        | 2012           | % of        | Increase     |
|--|----------------|-------------|----------------|-------------|--------------|
|  | Total          | Total       | Total          | Total       | (Decrease)   |
|  | \$'000         |             | \$'000         |             | \$'000       |
| <b>Revenues before capital items</b>                   |                |             |                |             |              |
| Rates & annual charges                                 | 88,201         | 60%         | 83,119         | 60%         | 5,082        |
| User charges, fees & other revenues                    | 47,490         | 32%         | 41,730         | 30%         | 5,760        |
| Grants & contributions provided for operating purposes | 7,288          | 5%          | 8,677          | 6%          | (1,389)      |
| Interest & investment revenue                          | 4,437          | 3%          | 5,329          | 4%          | (892)        |
|  | <b>147,416</b> | <b>100%</b> | <b>138,855</b> | <b>100%</b> | <b>8,561</b> |
| <b>Expenses</b>  |                |             |                |             |              |
| Employee benefits & costs                              | 55,776         | 41%         | 54,434         | 41%         | 1,342        |
| Materials, contracts & other expenses                  | 65,758         | 48%         | 65,651         | 48%         | 107          |
| Depreciation, amortisation & impairment                | 14,127         | 10%         | 13,880         | 10%         | 247          |
| Borrowing costs  | 902            | 1%          | 312            | 0%          | 590          |
|  | <b>136,563</b> | <b>100%</b> | <b>134,277</b> | <b>100%</b> | <b>2,286</b> |
| <b>Surplus before capital items</b>                    | <b>10,853</b>  |             | <b>4,578</b>   |             | <b>6,275</b> |
| Grants & contributions provided for capital purposes   | 3,970          |             | 4,160          |             | (190)        |
| <b>Surplus including non-controlling interests</b>     | <b>14,823</b>  |             | <b>8,738</b>   |             | <b>6,085</b> |
| Attributable to non-controlling interests              | (1,129)        |             | (1,279)        |             | 150          |
| <b>Net Surplus for the year</b>                        | <b>13,694</b>  |             | <b>7,459</b>   |             | <b>6,235</b> |

The above table shows an overall increase of \$6.235 million from the previous year. Rates and annual charges increased by \$5.082 million and represented 58% of Council's total income. Other income includes gains on the disposal of property and plant assets that contributed \$4.781 million to the operating result for the year.

### 1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.

|  | 2013          | 2012          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>Funds were provided by:-</b>                                    |               |               |
| <b>Operating Result (as above)</b>                                 | <b>13,694</b> | <b>7,459</b>  |
| <b>Add back non funding items:-</b>                                |               |               |
| - Depreciation, amortisation & impairment                          | 14,127        | 13,880        |
| - Book value of non-current assets sold                            | 2,824         | 1,370         |
| - (Gain)/Loss of fair value to investment properties               | 200           | 0             |
| - (Surplus)/Deficit in joint ventures                              | 113           | (377)         |
|  | <b>30,958</b> | <b>22,332</b> |
| <b>Decrease/Redemption of non-current investments</b>              | <b>1,031</b>  | <b>1,305</b>  |
| <b>Finance Leases</b>  | <b>0</b>      | <b>330</b>    |
| <b>Transfers from externally restricted assets (net)</b>           | <b>0</b>      | <b>6,425</b>  |
| <b>Transfers from internal reserves (net)</b>                      | <b>1,446</b>  | <b>0</b>      |
| <b>Increase in minority interests</b>                              | <b>617</b>    | <b>849</b>    |
| <b>Net Changes in current non-current assets &amp; liabilities</b> | <b>7,396</b>  | <b>1,168</b>  |
|  | <b>41,448</b> | <b>32,409</b> |

### Funds were applied to:-

|   |                 |                 |
|---|-----------------|-----------------|
| Purchase and construction of assets                     | (27,008)        | (29,490)        |
| Finance lease instalments                               | (491)           | (647)           |
| Transfers to externally restricted assets (net)         | (1,893)         | 0               |
| Transfers to internal reserves (net)                    | 0               | (578)           |
|   | <b>(29,392)</b> | <b>(30,715)</b> |
| <b>Increase/(Decrease) in Available Working Capital</b> | <b>12,056</b>   | <b>1,694</b>    |

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$50.76 million representing a factor of 4.07 to 1.







**ANNUAL FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

**2.2 Available Working Capital – (Working Funds)**

At the close of the year the Available Working Capital of Council stood at \$49.65 million as detailed below::

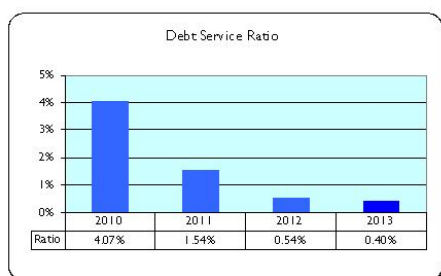
|   | 2013            | 2012            | Change         |
|---|-----------------|-----------------|----------------|
|   | \$'000          | \$'000          | \$'000         |
| <b>Net Current Assets (Working Capital) as per Accounts</b>                                       | <b>71,275</b>   | <b>59,028</b>   | <b>12,247</b>  |
| <b>Add</b> Payables & provisions not expected to be realised in the next 12 months included above | 10,055          | 9,218           | 837            |
| <b>Adjusted Net Current Assets</b>  | <b>81,330</b>   | <b>68,246</b>   | <b>13,084</b>  |
| <b>Add</b> Budgeted & expected to pay in the next 12 months                                       |                 |                 |                |
| - Borrowings  | 261             | 491             | (230)          |
| - Employees leave entitlements  | 5,041           | 5,221           | (180)          |
| - Self insurance claims   | 540             | 563             | (23)           |
| - Deposits & retention moneys   | 1,515           | 1,694           | (179)          |
| <b>Less</b> Externally restricted assets  | <b>(30,570)</b> | <b>(28,677)</b> | <b>(1,893)</b> |
| <b>Less</b> Internally restricted assets  | <b>(8,496)</b>  | <b>(9,944)</b>  | <b>1,446</b>   |
| <b>Available Working Capital as at 30 June</b>  | <b>49,650</b>   | <b>37,594</b>   | <b>12,056</b>  |

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

**2.3 Debt**

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 0.4%.

After repaying principal and interest of \$573,000, total debt as at 30 June 2013 stood at \$274,000 (2012 - \$765,000).



**2.4 Summary**

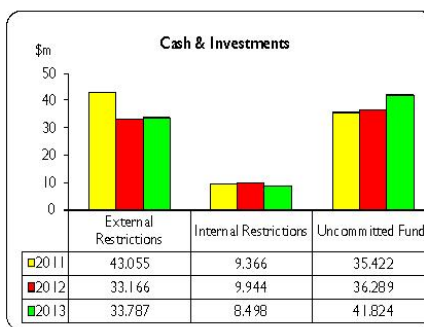
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

**3. CASH ASSETS**

**3.1 Cash & Investment Securities**

Cash and investments amounted \$84.109 million at 30 June 2013 as compared with \$79.399 million in 2012 and \$87.843 million in 2011.

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 (\$30.591 million), domestic waste management charges (\$2.564 million) and specific purpose grants and contributions (\$632,000).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "Reserves". These Reserves totalled \$8.498 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$41.824 million, which is available to provide liquidity for day to day operations and forms the basis of Council's sound financial position.

**3.2 Cash Flows**

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$2.233 million to \$4.311 million at the close of the year.

In addition to operating activities which contributed net cash of \$25.239 million were the proceeds from the sale of investment securities (\$154.465 million) and sale of assets (\$7.687 million). Cash outflows other than operating activities were used to purchase investment securities (\$161.385 million), pay finance lease instalments (\$491,000), pay dividends to minority interests in Kimbriki Environmental Enterprises Pty Limited (\$512,000) and to purchase and construct assets (\$27.236 million).

**4. RECEIVABLES**

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

Net rates and annual charges levied during the year totalled \$88.201 million and represented 58.26% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$90.559 million of which \$87.846 million (97%) was collected.



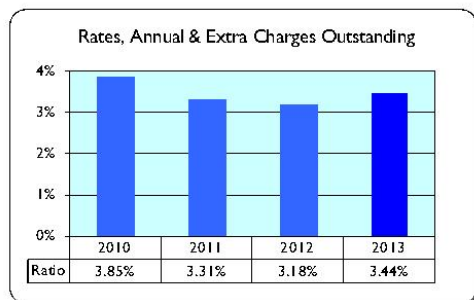
ANNUAL FINANCIAL STATEMENTS



**INDEPENDENT AUDITORS' REPORT**

**4.2 Rates, Annual & Extra Charges**

Arrears of rates, annual & extra charges stood at \$3.142 million at the end of the year and represented 3.44% of those receivables.



**4.3 Other Receivables**

Receivables (other than rates & annual charges) totalled \$4.395 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$100,000.

**5. PAYABLES**

**5.1 Self Insurance**

**Workers Compensation** insurance claims have been actuarially assessed at \$750,000 (2012 - \$1.057 million) and a bank guarantee of \$1.5 million is held to cover these claims as required by the Workcover Authority of NSW.

**Public Liability & Professional Indemnity** claims payable by Council (ie up to the excess layer) have been actuarially assessed at \$1.037 million (2012 - \$1.141 million) and is fully funded with internally restricted cash and investments.

**5.2 Employees Leave Entitlements**

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$13.565 million. Internally restricted cash and investments of \$2.713 million was held representing 20% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

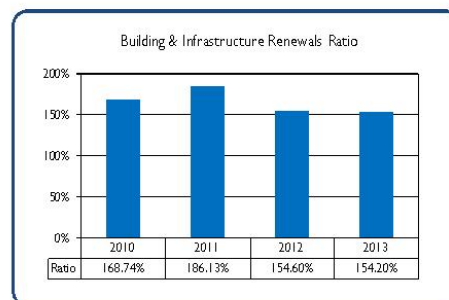
**5.3 Deposits, Retentions & Bonds**

Deposits, retentions and bonds held at year end amounted to \$4.111 million and were fully funded by internally restricted cash and investments.

**6. BUILDING AND INFRASTRUCTURE RENEWALS**

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

The ratio indicates that asset renewals for 2013 represented 154% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



**7. MANAGEMENT LETTER**

An audit management letter addressing the findings from our first interim audit was issued on 4 March 2013. This included our recommendations on possible ways to strengthen and/or improve procedures and management's comments and proposed actions. An additional management letter was issued on 12 July 2013 advising of findings from our second interim audit visit.

**7. 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 SPENCER STEER**

**G V STEER**  
 Partner

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# *Special Purpose Financial Statements*

FOR THE YEAR ENDED 30 JUNE 2013

▼  
[WARRINGAH.NSW.GOV.AU](http://WARRINGAH.NSW.GOV.AU)

SPECIAL PURPOSE FINANCIAL STATEMENTS



SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

| CONTENTS  | PAGE | BACKGROUND   |
|---|------|--|
| 1. Statement by Councillors & Management          | 236  | (I) The Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.   |
| 2. Special Purpose Financial Reports:             |      | (II) 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.  |
| - Income Statement of Other Business Activities   | 237  |  |
| - Balance Sheet of Other Business Activities      | 239  |  |
| 3. Notes to the Special Purpose Financial Reports | 241  | (III) For Council, the principle of competitive neutrality & 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). |
| 4. Auditor's Report                               | 243  | (IV) 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).   |

STATEMENT BY COUNCILLORS AND MANAGEMENT

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

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


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


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

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

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

Signed in accordance with a resolution of Council made on 6 August 2013.

  
Michael Rogan  
MAYOR

  
Rik Hart  
GENERAL MANAGER

  
Jorge Mariano-Pires  
COUNCILLOR

  
David Walsh  
RESPONSIBLE ACCOUNTING OFFICER



SPECIAL PURPOSE FINANCIAL STATEMENTS

## INCOME STATEMENT OF THE COUNCIL'S OTHER BUSINESS ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2013

|  | Children Services |              | Kimbriki      |               |
|--|-------------------|--------------|---------------|---------------|
|  | Actual            | Actual       | Actual        | Actual        |
| \$ '000  | 2013              | 2012         | 2013          | 2012          |
| <b>Income from continuing operations</b>                                   |                   |              |               |               |
| Access charges   | 4,745             | 4,507        | 21,208        | 19,530        |
| User charges   | -                 | -            | -             | -             |
| Fees   | -                 | -            | -             | -             |
| Interest   | -                 | -            | 573           | 658           |
| Grants and contributions provided for non capital purposes                 | 452               | 531          | 714           | 520           |
| Profit from the sale of assets   | -                 | -            | 26            | 31            |
| Other income   | 26                | 10           | 1,752         | 1,719         |
| <b>Total income from continuing operations</b>                             | <b>5,223</b>      | <b>5,048</b> | <b>24,273</b> | <b>22,458</b> |
| <b>Expenses from continuing operations</b>                                 |                   |              |               |               |
| Employee benefits and on-costs   | 4,351             | 4,099        | 3,178         | 2,805         |
| Borrowing costs  | -                 | -            | -             | -             |
| Materials and contracts  | 519               | 756          | 9,662         | 9,628         |
| Depreciation and impairment  | 173               | 212          | 339           | 270           |
| Loss on sale of assets   | -                 | -            | -             | -             |
| Calculated taxation equivalents  | -                 | -            | -             | -             |
| Debt guarantee fee (if applicable)   | -                 | -            | -             | -             |
| Other expenses   | 292               | 1            | 8,790         | 7,145         |
| <b>Total expenses from continuing operations</b>                           | <b>5,335</b>      | <b>5,068</b> | <b>21,969</b> | <b>19,848</b> |
| <b>Surplus (deficit) from Continuing Operations before capital amounts</b> | <b>(112)</b>      | <b>(20)</b>  | <b>2,304</b>  | <b>2,610</b>  |
| Grants and contributions provided for capital purposes                     | -                 | -            | -             | -             |
| <b>Surplus (deficit) from Continuing Operations after capital amounts</b>  | <b>(112)</b>      | <b>(20)</b>  | <b>2,304</b>  | <b>2,610</b>  |
| Surplus (deficit) from discontinued operations                             | -                 | -            | -             | -             |
| <b>Surplus (deficit) from ALL Operations before tax</b>                    | <b>(112)</b>      | <b>(20)</b>  | <b>2,304</b>  | <b>2,610</b>  |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | -                 | -            | (691)         | (783)         |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(112)</b>      | <b>(20)</b>  | <b>1,613</b>  | <b>1,827</b>  |
| plus Opening Retained Profits  | 2,700             | 2,720        | 15,213        | 13,480        |
| plus/less: Prior Period Adjustments  | -                 | -            | -             | -             |
| plus/less: Allocation Adjustments related to IPPE                          | 516               | -            | -             | -             |
| plus Adjustments for amounts unpaid:                                       |                   |              |               |               |
| - Taxation equivalent payments   | -                 | -            | -             | -             |
| - Debt guarantee fees  | -                 | -            | -             | -             |
| - Corporate taxation equivalent  | -                 | -            | 691           | 783           |
| add:   |                   |              |               |               |
| - Subsidy Paid/Contribution To Operations                                  | -                 | -            | -             | -             |
| less:  |                   |              |               |               |
| - TER dividend paid  | -                 | -            | -             | -             |
| - Dividend paid  | -                 | -            | (1,044)       | (877)         |
| <b>Closing Retained Profits</b>  | <b>3,104</b>      | <b>2,700</b> | <b>16,473</b> | <b>15,213</b> |
| Return on Capital %  | -3.3%             | -0.6%        | 84.5%         | 122.9%        |
| Subsidy from Council   | 112               | 119          | -             | -             |

SPECIAL PURPOSE FINANCIAL STATEMENTS



**INCOME STATEMENT OF THE COUNCIL'S OTHER BUSINESS ACTIVITIES**

FOR THE YEAR ENDED 30 JUNE 2013

|  | Glen Street Theatre |              | Construction Certificate Certification |              |
|--|---------------------|--------------|--|--------------|
|  | Actual              | Actual       | Actual                                 | Actual       |
| \$ '000  | 2013                | 2012         | 2013                                   | 2012         |
| <b>Income from continuing operations</b>                                   |                     |              |  |              |
| Access charges   | -                   | -            | -                                      | -            |
| User charges   | -                   | -            | 222                                    | 281          |
| Fees   | 1,079               | 1,601        | -                                      | -            |
| Interest   | 23                  | 22           | -                                      | -            |
| Grants and contributions provided for non capital purposes                 | 1                   | 3            | -                                      | -            |
| Profit from the sale of assets   | -                   | -            | -                                      | -            |
| Other income   | 366                 | -            | -                                      | -            |
| <b>Total income from continuing operations</b>                             | <b>1,469</b>        | <b>1,627</b> | <b>222</b>                             | <b>281</b>   |
| <b>Expenses from continuing operations</b>                                 |                     |              |  |              |
| Employee benefits and on-costs   | 976                 | 1,156        | 428                                    | 480          |
| Borrowing costs  | -                   | -            | -                                      | -            |
| Materials and contracts  | 872                 | 907          | 10                                     | 72           |
| Depreciation and impairment  | 97                  | 181          | -                                      | -            |
| Loss on sale of assets   | -                   | -            | -                                      | -            |
| Calculated taxation equivalents  | -                   | -            | -                                      | -            |
| Debt guarantee fee (if applicable)   | -                   | -            | -                                      | -            |
| Other expenses   | 207                 | 338          | 2                                      | 74           |
| <b>Total expenses from continuing operations</b>                           | <b>2,152</b>        | <b>2,582</b> | <b>439</b>                             | <b>626</b>   |
| <b>Surplus (deficit) from Continuing Operations before capital amounts</b> | <b>(684)</b>        | <b>(955)</b> | <b>(217)</b>                           | <b>(345)</b> |
| Grants and contributions provided for capital purposes                     | -                   | -            | -                                      | -            |
| <b>Surplus (deficit) from Continuing Operations after capital amounts</b>  | <b>(684)</b>        | <b>(955)</b> | <b>(217)</b>                           | <b>(345)</b> |
| Surplus (deficit) from discontinued operations                             | -                   | -            | -                                      | -            |
| <b>Surplus (deficit) from ALL Operations before tax</b>                    | <b>(684)</b>        | <b>(955)</b> | <b>(217)</b>                           | <b>(345)</b> |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | -                   | -            | -                                      | -            |
| <b>SURPLUS (DEFICIT) AFTER TAX</b>   | <b>(684)</b>        | <b>(955)</b> | <b>(217)</b>                           | <b>(345)</b> |
| plus Opening Retained Profits  | 1,070               | 2,025        | 107                                    | 107          |
| plus/less: Prior Period Adjustments  | (42)                | -            | -                                      | -            |
| plus/less: Allocation Adjustments related to IPPE                          | 1,379               | -            | (107)                                  | -            |
| plus Adjustments for amounts unpaid:                                       |                     |              |  |              |
| - Taxation equivalent payments   | -                   | -            | -                                      | -            |
| - Debt guarantee fees  | -                   | -            | -                                      | -            |
| - Corporate taxation equivalent  | -                   | -            | -                                      | -            |
| add:   |                     |              |  |              |
| - Subsidy Paid/Contribution To Operations                                  | -                   | -            | 217                                    | 345          |
| less:  |                     |              |  |              |
| - TER dividend paid  | -                   | -            | -                                      | -            |
| - Dividend paid  | -                   | -            | -                                      | -            |
| <b>Closing Retained Profits</b>  | <b>1,723</b>        | <b>1,070</b> | <b>-</b>                               | <b>107</b>   |
| Return on Capital %  | -8.5%               | -19.5%       | 0.0%                                   | -322.4%      |
| Subsidy from Council   | 684                 | 1,104        | 217                                    | 348          |





SPECIAL PURPOSE FINANCIAL STATEMENTS

## BALANCE SHEET OF THE COUNCIL'S OTHER BUSINESS ACTIVITIES

AS AT 30 JUNE 2013

|  | Children Services<br>Category 1 |                | Kimbriki<br>Category 1 |                |
|--|---------------------------------|----------------|------------------------|----------------|
|  | Actual<br>2013                  | Actual<br>2012 | Actual<br>2013         | Actual<br>2012 |
| <b>\$ '000</b>                                 |                                 |                |                        |                |
| <b>ASSETS</b>                                  |                                 |                |                        |                |
| <b>Current Assets</b>                          |                                 |                |                        |                |
| Cash and cash equivalents                      | -                               | -              | 2,628                  | 2,256          |
| Investments                                    | -                               | -              | 11,519                 | 10,539         |
| Receivables                                    | -                               | -              | 1,696                  | 1,590          |
| Inventories                                    | -                               | -              | -                      | -              |
| Other  | -                               | -              | -                      | -              |
| Non-current assets classified as held for sale | -                               | 529            | -                      | -              |
| <b>Total Current Assets</b>                    | <b>-</b>                        | <b>529</b>     | <b>15,843</b>          | <b>14,385</b>  |
| <b>Non-Current Assets</b>                      |                                 |                |                        |                |
| Investments                                    | -                               | -              | -                      | -              |
| Receivables                                    | -                               | -              | -                      | -              |
| Inventories                                    | -                               | -              | -                      | -              |
| Infrastructure, property, plant and equipment  | 3,382                           | 3,100          | 2,727                  | 2,123          |
| Investments accounted for using equity method  | -                               | -              | -                      | -              |
| Investment property                            | -                               | -              | -                      | -              |
| Other  | -                               | -              | 1,991                  | 1,840          |
| <b>Total Non-Current Assets</b>                | <b>3,382</b>                    | <b>3,100</b>   | <b>4,718</b>           | <b>3,963</b>   |
| <b>TOTAL ASSETS</b>                            | <b>3,382</b>                    | <b>3,629</b>   | <b>20,561</b>          | <b>18,348</b>  |
| <b>LIABILITIES</b>                             |                                 |                |                        |                |
| <b>Current Liabilities</b>                     |                                 |                |                        |                |
| Payables                                       | -                               | -              | 1,869                  | 2,044          |
| Interest bearing liabilities                   | -                               | -              | -                      | -              |
| Provisions                                     | -                               | -              | 563                    | 491            |
| <b>Total Current Liabilities</b>               | <b>-</b>                        | <b>-</b>       | <b>2,432</b>           | <b>2,535</b>   |
| <b>Non-Current Liabilities</b>                 |                                 |                |                        |                |
| Payables                                       | -                               | -              | 1,020                  | 600            |
| Interest bearing liabilities                   | -                               | -              | -                      | -              |
| Provisions                                     | -                               | -              | 636                    | -              |
| Other Liabilities                              | -                               | -              | -                      | -              |
| <b>Total Non-Current Liabilities</b>           | <b>-</b>                        | <b>-</b>       | <b>1,656</b>           | <b>600</b>     |
| <b>TOTAL LIABILITIES</b>                       | <b>-</b>                        | <b>-</b>       | <b>4,088</b>           | <b>3,135</b>   |
| <b>NET ASSETS</b>                              | <b>3,382</b>                    | <b>3,629</b>   | <b>16,473</b>          | <b>15,213</b>  |
| <b>EQUITY</b>                                  |                                 |                |                        |                |
| Retained earnings                              | 3,104                           | 2,700          | 16,473                 | 15,213         |
| Revaluation reserves                           | 278                             | 929            | -                      | -              |
| Council equity interest                        | 3,382                           | 3,629          | 16,473                 | 15,213         |
| Non-controlling interest                       | -                               | -              | -                      | -              |
| <b>TOTAL EQUITY</b>                            | <b>3,382</b>                    | <b>3,629</b>   | <b>16,473</b>          | <b>15,213</b>  |

SPECIAL PURPOSE FINANCIAL STATEMENTS



**BALANCE SHEET OF THE COUNCIL'S OTHER BUSINESS ACTIVITIES**

AS AT 30 JUNE 2013

|  | Glen Street Theatre |                | Construction Certificate Certification |                |
|--|---------------------|----------------|--|----------------|
|  | Category 1          |                | Category 2                             |                |
| \$ '000  | Actual<br>2013      | Actual<br>2012 | Actual<br>2013                         | Actual<br>2012 |
| <b>ASSETS</b>                                  |                     |                |  |                |
| <b>Current Assets</b>                          |                     |                |  |                |
| Cash and cash equivalents                      | 58                  | 678            | -                                      | -              |
| Investments                                    | -                   | -              | -                                      | -              |
| Receivables                                    | -                   | -              | -                                      | -              |
| Inventories                                    | 13                  | 8              | -                                      | -              |
| Other  | -                   | 51             | -                                      | -              |
| Non-current assets classified as held for sale | -                   | -              | -                                      | -              |
| <b>Total Current Assets</b>                    | <b>71</b>           | <b>737</b>     | <b>-</b>                               | <b>-</b>       |
| <b>Non-Current Assets</b>                      |                     |                |  |                |
| Investments                                    | -                   | -              | -                                      | -              |
| Receivables                                    | -                   | -              | -                                      | -              |
| Inventories                                    | -                   | -              | -                                      | -              |
| Infrastructure, property, plant and equipment  | 8,087               | 4,891          | -                                      | 107            |
| Investments accounted for using equity method  | -                   | -              | -                                      | -              |
| Investment property                            | -                   | -              | -                                      | -              |
| Other  | -                   | -              | -                                      | -              |
| <b>Total Non-Current Assets</b>                | <b>8,087</b>        | <b>4,891</b>   | <b>-</b>                               | <b>107</b>     |
| <b>TOTAL ASSETS</b>                            | <b>8,158</b>        | <b>5,628</b>   | <b>-</b>                               | <b>107</b>     |
| <b>LIABILITIES</b>                             |                     |                |  |                |
| <b>Current Liabilities</b>                     |                     |                |  |                |
| Payables                                       | 987                 | 756            | -                                      | -              |
| Interest bearing liabilities                   | -                   | -              | -                                      | -              |
| Provisions                                     | -                   | 9              | -                                      | -              |
| <b>Total Current Liabilities</b>               | <b>987</b>          | <b>765</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>987</b>          | <b>765</b>     | <b>-</b>                               | <b>-</b>       |
| <b>NET ASSETS</b>                              | <b>7,171</b>        | <b>4,863</b>   | <b>-</b>                               | <b>107</b>     |
| <b>EQUITY</b>                                  |                     |                |  |                |
| Retained earnings                              | 1,723               | 1,070          | -                                      | 107            |
| Revaluation reserves                           | 5,448               | 3,793          | -                                      | -              |
| Council equity interest                        | 7,171               | 4,863          | -                                      | 107            |
| Non-controlling interest                       | -                   | -              | -                                      | -              |
| <b>TOTAL EQUITY</b>                            | <b>7,171</b>        | <b>4,863</b>   | <b>-</b>                               | <b>107</b>     |



**SPECIAL PURPOSE FINANCIAL STATEMENTS**

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

### Note 1

#### 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 SPFS prepared for use by the Council and the Division of Local Government.

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 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 \$406,000 of combined land values attracts 0%. From \$406,001 to \$2,482,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of 2.0% applies.

Payroll Tax - 5.45% on the value of taxable salaries and wages in excess of \$689,000 from 1 July 2012 to 30 June 2013.

#### 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 balance 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.

SPECIAL PURPOSE FINANCIAL STATEMENTS



NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**Note 1**

**(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**

---

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.755% at 30 June 2013.

**(iv) Dividends**

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





**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2013**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying *special purpose financial statements* of *Warringah Council*, which comprises the Statement of Financial Position as at 30 June 2013, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

**Responsibility of Council for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

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

**Independence**

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

**Auditor's Opinion**

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

**Basis of Accounting**

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

**HILL ROGERS SPENCER STEER**

**G V STEER**  
Partner

Dated at Sydney this 7<sup>th</sup> day of August 2013





# *Special Schedules*

FOR THE YEAR ENDED 30 JUNE 2013



## ANNUAL FINANCIAL STATEMENTS

### SPECIAL SCHEDULES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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| <b>Special Schedules<sup>1</sup></b>   |            |
| - Special Schedule No. 1                      Net Cost of Services                               | <b>246</b> |
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| - Special Schedule No. 2(b)                  Statement of Internal Loans (Sect. 410(3) LGA 1993) | <b>248</b> |
| - Special Schedule No. 7                      Condition of Public Works                          | <b>249</b> |
| - Special Schedule No. 8                      Financial Projections                              | <b>250</b> |

<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, Division of Local Government (DLG).
- 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

ANNUAL FINANCIAL STATEMENTS



**SPECIAL SCHEDULES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**Special Schedule No. 1 - Net Cost of Services**

| \$'000   | Expenses from continuing operations | Income from continuing operations (non capital) | Income from continuing operations (capital) | Net Cost of Services |
|--|-------------------------------------|---|---|----------------------|
| <b>Function or Activity</b>                            |                                     |   |   |                      |
| <b>Governance</b>                                      | 5,429                               | 57  | -   | (5,372)              |
| <b>Administration</b>                                  | 31,031                              | 11,647  | 3,567                                       | (15,817)             |
| <b>Public Order and Safety</b>                         |                                     |   |   |                      |
| Fire Service Levy, Fire protection, Emergency Services | 716                                 | -   | -   | (716)                |
| Beach Control  | 1,857                               | 33  | -   | (1,824)              |
| Enforcement of Local Govt Regs                         | 1,631                               | 2,570   | -   | 939                  |
| Animal Control   | 113                                 | 68  | -   | (45)                 |
| Other  | -                                   | -   | -   | -                    |
| <b>Total Public Order and Safety</b>                   | 4,117                               | 2,671   | -   | (1,446)              |
| <b>Health</b>  | 2,101                               | 231   | -   | (1,870)              |
| <b>Environment</b>                                     |                                     |   |   |                      |
| Noxious Plants and Insects/ Vermin control             | 818                                 | 104   | -   | (714)                |
| Other Environmental Protection                         | 7,924                               | 632   | -   | (7,292)              |
| Solid Waste Management                                 | 13,199                              | 20,087  | -   | 6,888                |
| Street Cleaning  | 813                                 | 6   | -   | (807)                |
| Drainage   | 468                                 | 67  | -   | (401)                |
| Stormwater Management                                  | 749                                 | 37  | -   | (712)                |
| <b>Total Environment</b>                               | 23,971                              | 20,933  | -   | (3,038)              |
| <b>Community Services and Education</b>                |                                     |   |   |                      |
| Administration & Education                             | 3,120                               | 861   | -   | (2,259)              |
| Social Protection (Welfare)                            | -                                   | -   | -   | -                    |
| Aged Persons & Disabled                                | 329                                 | 88  | -   | (241)                |
| Childrens Services                                     | 5,074                               | 5,223   | -   | 149                  |
| <b>Total Community Services and Education</b>          | 8,523                               | 6,172   | -   | (2,351)              |
| <b>Housing and Community Amenities</b>                 |                                     |   |   |                      |
| Public Cemeteries                                      | -                                   | -   | -   | -                    |
| Public Conveniences                                    | -                                   | -   | -   | -                    |
| Street Lighting  | 2,512                               | 349   | -   | (2,163)              |
| Town Planning  | 7,781                               | 1,797   | -   | (5,984)              |
| Other Community Amenities                              | -                                   | -   | -   | -                    |
| <b>Total Housing and Community Amenities</b>           | 10,293                              | 2,146   | -   | (8,147)              |
| <b>Water Supplies</b>                                  | -                                   | -   | -   | -                    |
| <b>Sewerage Services</b>                               | -                                   | -   | -   | -                    |



ANNUAL FINANCIAL STATEMENTS

## SPECIAL SCHEDULES

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

### Special Schedule No. 1 - Net Cost of Services (continued)

| \$'000  | Expenses from<br>continuing<br>operations | Income from<br>continuing<br>operations<br>(non capital) | Income from<br>continuing<br>operations<br>(capital) | Net Cost of<br>Services |
|---|---|--|--|-------------------------|
| Function or Activity  |   |  |  |                         |
| <b>Recreation and Culture</b>   |   |  |  |                         |
| Public Libraries  | 4,077                                     | 311  | 272  | (3,494)                 |
| Community Centres and Halls   | 1,484                                     | 984  | 131  | (369)                   |
| Performing Arts Venues  | 2,043                                     | 1,446  | -  | (597)                   |
| Other Cultural Services   | 5,324                                     | 116  | -  | (5,208)                 |
| Sporting Grounds and Venues   | 4,356                                     | 325  | -  | (4,031)                 |
| Swimming Pools  | 4,139                                     | 2,341  | -  | (1,798)                 |
| Parks and Gardens (Lakes)   | 2,265                                     | 69   | -  | (2,196)                 |
| Other Sport and Recreation  | -   | -  | -  | -                       |
| <b>Total Recreation and Culture</b>   | <b>23,688</b>                             | <b>5,592</b>   | <b>403</b>   | <b>(17,693)</b>         |
| <b>Fuel and Energy</b>  | <b>-</b>                                  | <b>-</b>   | <b>-</b>   | <b>-</b>                |
| <b>Mining, Manufacturing and<br/>Construction</b>   |   |  |  |                         |
| Building Control  | 1,925                                     | 1,327  | -  | (598)                   |
| Other Mining, Manufacturing & Construction  | -   | -  | -  | -                       |
| <b>Total Mining, Manufacturing and Construction</b>   | <b>1,925</b>                              | <b>1,327</b>   | <b>-</b>   | <b>(598)</b>            |
| <b>Transport and Communication</b>  |   |  |  |                         |
| Urban Roads (UR) - Local  | 5,101                                     | 1,075  | -  | (4,026)                 |
| Bridges on RU - Local   | -   | -  | -  | -                       |
| <b>Total Transport and Communication</b>  | <b>5,101</b>                              | <b>1,075</b>   | <b>-</b>   | <b>(4,026)</b>          |
| <b>Economic Affairs</b>   |   |  |  |                         |
| Other Economic Affairs  | 20,272                                    | 18,405   | -  | (1,867)                 |
| <b>Total Economic Affairs</b>   | <b>20,272</b>                             | <b>18,405</b>  | <b>-</b>   | <b>(1,867)</b>          |
| <b>TOTALS - FUNCTIONS</b>   | <b>136,451</b>                            | <b>70,256</b>  | <b>3,970</b>   | <b>(62,225)</b>         |
| <b>General Purpose Revenues<sup>(2)</sup></b>   | <b>-</b>                                  | <b>77,161</b>  | <b>-</b>   | <b>-</b>                |
| <b>Share of Interests - joint ventures &amp; associates using<br/>the equity method<sup>(1)</sup></b> | <b>113</b>                                |  |  | <b>113</b>              |
| <b>NET OPERATING RESULT FOR YEAR<sup>(1)</sup></b>  | <b>136,564</b>                            | <b>147,417</b>   | <b>3,970</b>   | <b>14,823</b>           |

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

ANNUAL FINANCIAL STATEMENTS



**SPECIAL SCHEDULES**

FOR THE YEAR ENDED 30 JUNE 2013

**Special Schedule No. 2(a)**  
**Statement of Long Term Debt (all purpose)**

| \$'000                  | Principal outstanding at beginning of the year |             |       | New Loans raised during the year | Debt redemption during the year |               | Transfers to Sinking Funds | Interest applicable for Year | Principal outstanding at the end of the year |             |       |
|-------------------------|--|-------------|-------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|-------------|-------|
|                         | Current  | Non Current | Total |                                  | From Revenue                    | Sinking Funds |                            |                              | Current                                      | Non Current | Total |
| Classification of Debt  | Current  | Non Current | Total |                                  | From Revenue                    | Sinking Funds |                            |                              | Current                                      | Non Current | Total |
| Loans (by Source)       |  |             |       |                                  |                                 |               |                            |                              |  |             |       |
| Commonwealth Government | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Treasury Corporation    | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Other State Government  | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Public Subscription     | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Financial Institutions  |  |             | -     |                                  |                                 |               |                            |                              |  | -           | -     |
| Other                   | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Total Loans             | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Other Long Term Debt    |  |             |       |                                  |                                 |               |                            |                              |  |             |       |
| Ratepayers Advances     | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Government Advances     | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Finance Leases          | 491  | 274         | 765   | -                                | 491                             | -             | -                          | 42                           | 261  | 13          | 274   |
| Deferred Payments       | -  | -           | -     | -                                | -                               | -             | -                          | -                            | -  | -           | -     |
| Total Long Term Debt    | 491  | 274         | 765   | -                                | 491                             | -             | -                          | 42                           | 261  | 13          | 274   |
| Total Debt              | 491  | 274         | 765   | -                                | 491                             | -             | -                          | 42                           | 261  | 13          | 274   |

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFR's).

**Special Schedule No. 2(b)**  
**Statement of Internal Loans (Section 410(3) LGA 1993)**

\$'000

**Summary of Internal Loans**

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

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

**Details of Individual Internal Loans**

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





## ANNUAL FINANCIAL STATEMENTS

### SPECIAL SCHEDULES

AS AT 30 JUNE 2013

#### Special Schedule No. 7 Condition of Public Works

| \$'000                    |                 |               |                 |          |                  |   |                       |                  |   |  |                                      |
|---------------------------|-----------------|---------------|-----------------|----------|------------------|---|-----------------------|------------------|---|--|--------------------------------------|
| Asset Class               | Asset Condition | Depn Rate (%) | Depn Expense \$ | Cost     | Valuation        | Accumulated Depreciation, Amortisation and Impairment | Carrying Amount (WDV) | Asset Condition# | Estimated cost to bring to a satisfactory standard <sup>(1)</sup> | Required <sup>(2)</sup> Annual Maintenance | Current <sup>(2)</sup> Annual M'ntce |
|                           |                 | per Note 1    | per Note 4      |          |                  | per Note 9  |                       |                  | per Section 428(2d)   |  |                                      |
| Buildings                 | Poor            | 1.00%         | 9               | -        | 873              | 324   | 549                   | Poor             | 324   | 7  | 39                                   |
|                           | Fair            | 1.00%         | 2               | -        | 237              | 151   | 86                    | Fair             | 152   | 2  | 12                                   |
|                           | Average         | 1.00%         | 102             | -        | 10,020           | 4,229   | 5,791                 | Average          | 3,660   | 89   | 112                                  |
|                           | Good            | 1.00%         | 750             | -        | 73,792           | 21,385  | 52,407                | Good             | -   | 581  | 611                                  |
|                           | Excellent       | 1.00%         | 1,376           | -        | 135,317          | 28,197  | 109,120               | Excellent        | -   | 1,065                                      | 1,033                                |
|                           |                 |               | <b>2,239</b>    | <b>-</b> | <b>220,239</b>   | <b>52,286</b>   | <b>167,953</b>        |                  | <b>4,136</b>  | <b>1,744</b>                               | <b>1,807</b>                         |
| Public Roads              | Poor            | 1.00%         | 38              | -        | 4,254            | 1,012   | 3,242                 | Poor             | 851   | 255  | 30                                   |
|                           | Fair            | 1.00%         | 9               | -        | 947              | 408   | 539                   | Fair             | 95  | 38   | 5                                    |
|                           | Average         | 1.00%         | 525             | -        | 58,420           | 16,783  | 41,637                | Average          | 2,921   | 584  | 782                                  |
|                           | Good            | 1.00%         | 1,503           | -        | 167,100          | 21,521  | 145,579               | Good             | -   | 835  | 892                                  |
|                           | Excellent       | 1.00%         | 1,844           | -        | 182,734          | 30,276  | 152,458               | Excellent        | -   | 548  | 804                                  |
|                           |                 |               | <b>3,719</b>    | <b>-</b> | <b>413,455</b>   | <b>70,000</b>   | <b>343,455</b>        |                  | <b>3,867</b>  | <b>2,260</b>                               | <b>2,513</b>                         |
| Other Structures          | Poor            | 1.00%         | -               | -        | 101              | 59  | 42                    | Poor             | 20  | 10   | 11                                   |
|                           | Fair            | 1.00%         | 21              | -        | 2,528            | 814   | 1,914                 | Fair             | 379   | 190  | 199                                  |
|                           | Average         | 1.00%         | 100             | -        | 12,182           | 2,973   | 9,209                 | Average          | 1,218   | 609  | 640                                  |
|                           | Good            | 1.00%         | 275             | -        | 33,372           | 4,286   | 29,086                | Good             | -   | 167  | 176                                  |
|                           | Excellent       | 1.00%         | 158             | -        | 19,135           | 1,343   | 17,792                | Excellent        | -   | 57   | 60                                   |
|                           |                 |               | <b>554</b>      | <b>-</b> | <b>67,218</b>    | <b>9,275</b>  | <b>58,043</b>         |                  | <b>1,617</b>  | <b>1,033</b>                               | <b>1,086</b>                         |
| Drainage Works            | Poor            | 1.00%         | 30              | -        | 2,985            | 1,845   | 1,340                 | Poor             | 2,887   | 10   | -                                    |
|                           | Fair            | 1.00%         | 15              | -        | 1,478            | 570   | 908                   | Fair             | 702   | 23   | 10                                   |
|                           | Average         | 1.00%         | 334             | -        | 33,251           | 14,363  | 18,888                | Average          | 3,292   | 151  | 201                                  |
|                           | Good            | 1.00%         | 2,583           | -        | 256,990          | 77,012  | 179,978               | Good             | -   | 621  | 774                                  |
|                           | Excellent       | 1.00%         | 430             | -        | 42,738           | 7,889   | 34,849                | Excellent        | -   | 21   | 20                                   |
|                           |                 |               | <b>3,392</b>    | <b>-</b> | <b>337,442</b>   | <b>101,459</b>  | <b>235,983</b>        |                  | <b>6,881</b>  | <b>826</b>                                 | <b>1,005</b>                         |
| <b>Total - All Assets</b> |                 |               | <b>9,904</b>    | <b>-</b> | <b>1,036,452</b> | <b>233,020</b>  | <b>805,432</b>        | <b>-</b>         | <b>16,501</b>   | <b>5,863</b>                               | <b>6,411</b>                         |

ANNUAL FINANCIAL STATEMENTS



**SPECIAL SCHEDULES**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

**Special Schedule No. 8**  
**Financial Projections**

| \$ million   | Actual <sup>(1)</sup><br>12/13 | Forecast<br>13/14 | Forecast<br>14/15 | Forecast<br>15/16 | Forecast<br>16/17 |
|--|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>(i) RECURRENT BUDGET</b>                        |                                |                   |                   |                   |                   |
| Income from continuing operations                  | 151                            | 168               | 167               | 184               | 192               |
| Expenses from continuing operations                | 136                            | 151               | 157               | 174               | 179               |
| <b>Operating Result from Continuing Operations</b> | <b>15</b>                      | <b>17</b>         | <b>10</b>         | <b>10</b>         | <b>13</b>         |
| <b>(ii) CAPITAL BUDGET</b>                         |                                |                   |                   |                   |                   |
| New Capital Works <sup>(2)</sup> :                 | 17                             | 14                | 32                | 22                | 21                |
| Replacement/Refurbishment of Existing Assets       | 19                             | 22                | 27                | 18                | 18                |
| <b>Total Capital Budget</b>                        | <b>36</b>                      | <b>36</b>         | <b>59</b>         | <b>41</b>         | <b>38</b>         |
| <b>Funded by:</b>                                  |                                |                   |                   |                   |                   |
| – Loans  | -                              | 2                 | 6                 | -                 | -                 |
| – Asset sales                                      | -                              | 3                 | 2                 | 2                 | 2                 |
| – Reserves   | 13                             | 10                | 11                | 9                 | 9                 |
| – Grants/Contributions                             | 2                              | 2                 | 1                 | 1                 | 1                 |
| – Recurrent revenue                                | 2                              | 5                 | 21                | 13                | 12                |
| – Other  | 19                             | 15                | 18                | 16                | 15                |
|  | <b>36</b>                      | <b>36</b>         | <b>59</b>         | <b>41</b>         | <b>38</b>         |

**Notes:**

<sup>(1)</sup> From 2012/2013 Income Statement.

<sup>(2)</sup> New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.



ANNUAL REPORT 2013

Warringah Council  
725 Pillwater Road  
Dee Why  
NSW 2009



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## Performance Against Planned Activities for Financial Year 2012-2013

Detailed below are the actions that are behind schedule and the reasons for delay:

| KEY INITIATIVES - ACTION   | REASON FOR DELAY   |
|--|--|
| Review the domestic waste and recycling service in preparation for the implementation of waste processing facilities at Kimbriki in July 2014. | Delayed due to delay of Kimbriki Processing Facility Project. Expected implementation date for Kimbriki now July 2016.   |
| Develop a Healthy Ageing Strategy  | This project was delayed as a result of the restructure of Community Services. The project will be recommenced in 2013/14.   |
| Introduction online booking to library programs  | Whilst the new Council website has been introduced, this project is subject to findings from the Library Review which will deliver action items in Q1 of 2013/14.  |
| Introduction mobile phone access to the Council website/Library catalogue  | Whilst the new Council website has been introduced, this project is subject to findings from the Library Review which will deliver action items in Q1 of 2013/14.  |
| Establish a Warringah Pittwater business portal  | The scope of the project was to provide a single business portal for Warringah/Pittwater business. This was amended to reflect the revised strategy of a single digital platform for Warringah Council.  |
| Develop a policy on voluntary planning agreements  | Draft policy complete, exhibition for July-August 2013. This matter was delayed by the need to obtain legal advice.  |
| Amend the Local Environmental Plan to reflect the Heritage review findings   | The finalisation of the Heritage Review Study was delayed which has in turn delayed commencement of the LEP amendment. The LEP amendment won't be completed by June 30 2013.   |
| Coastal Zone Management Plan   | Due to the ongoing coastal reform process, the Minister for the Environment extended the timeframes for the submission of Coastal Zone Management Plans until 30 June 2014. Given this new timeframe and the significant technical questions posed by Council's consultants, the project is running behind the original timeframe, but will meet the new timeframe set down by the Minister. |
| Review the Coastal Lands Plan of Management  | Changes in Plan of Management priorities arose during the year. The District Park and the Aquatic Centre precincts needed priority and the Coastal Lands POM was deferred to concentrate on these plans.   |

| <b>CAPITAL WORKS - ACTION</b>   | <b>REASON FOR DELAY</b>   |
|---|---|
| Civic Centre - Upgrade Air Conditioning Plant   | This project was cancelled in Quarter two after a review of the internal payback and benefit identified that it did not justify the spend.  |
| IT Software - Renewals  | Project has been delayed primarily due to resourcing conflicts with the Website Redevelopment project. As such the revised deployment is now planned for September 2013.  |
| North Narrabeen - landscape masterplan development and implementation                               | A staging plan for these works was presented to the Councillors in June, some works will progress in 2013/14.   |
| Melwood Oval, Forestville - sportsfield rectification program                                       | This project was deferred to 2013/14 in mid 2012. Funds were used to progress Cromer works.   |
| Tramshed toilet and kitchen - Building Code of Australia and Disability Discrimination Act renewals | Design for the upgrade of the Tramshed toilet and kitchen was complete. However, the works were postponed to 2013/14 to coincide with other refurbishment works at the Tramshed.  |
| Civic Centre - fire services and Building Code of Australia upgrade                                 | This project was deferred into future years in Quarter 2. The design has been completed and works will await advice from the NSWFB Commissioner.  |
| St Matthews Farm, Cromer - new skate facility   | Construction works associated with this project have been re-phased until 2016/17, therefore the associated design project has been re-phased from this year until 2015/16.   |
| Rhoker Reserve Trail Upgrade  | Rain through mid to late June stopped work on the track as heavy machinery was unable to access the site and the mixing and compaction of the cement stabilised crushed sandstone could not be achieved until the site dried.                           |
| Aquatic Centre Trigeneneration System   | The cost of the proposed system is greater than the budgeted amount and a grant is being sort for the works.  |
| Manly Dam Carpark & turning area  | The funds for the associated construction works for this project have been delayed to 2016/17 due to allocation of s94a funding. As a result of this the design works have been deferred to 2015/16.  |
| Installation of radio frequency identification in Libraries   | Project funding has been diverted to other priorities.  |
| Wheeler Park - New Public Amenity   | This project was cancelled in Quarter 2. The funds to be returned to the Section 94A reserve. The location and demand for these amenities is being re-investigated and will be nominated for a future year's capital program if the need is determined. |
| Dee Why Beach Viewing Tower   | This project has been deferred into 2013/14 pending finalisation of the design.   |