

# **2005/2006 FINANCIAL REPORT**



**WILLOUGHBY CITY COUNCIL**

**2005/2006**

**FINANCIAL REPORT**

**(FOR THE YEAR ENDED 30 JUNE 2006)**

# WILLOUGHBY CITY COUNCIL

## General Purpose Financial Reports for the year ended 30th June 2006

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# WILLOUGHBY CITY COUNCIL

## ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2006

### STATEMENT BY COUNCILLORS AND MANAGEMENT MADE PURSUANT TO SECTION 413 (2)(c) OF THE LOCAL GOVERNMENT ACT 1993 (as amended)

The attached Annual Financial Statements have been drawn up in accordance with

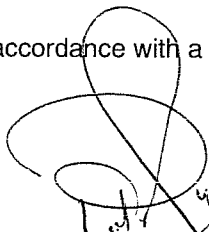
- The Local Government Act 1993 (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional pronouncements
- The Local Government Code of Accounting Practice and Financial Reporting
- The Local Government Asset Accounting Manual.

To the best of our knowledge and belief, these reports

- Present fairly the Council's financial position and operating result for the year, and
- Accord with Council's accounting and other records

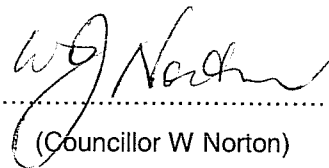
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 9<sup>th</sup> October 2006



(Councillor P Reilly)

**MAYOR**



(Councillor W Norton)

**COUNCILLOR**



(Mr John C Owen)

**GENERAL MANAGER**



(Mr Tony Pizzuto)

**RESPONSIBLE ACCOUNTING OFFICER**

# WILLOUGHBY CITY COUNCIL

## INCOME STATEMENT for the year ended 30th June 2006

Budget 2006 \$'000		Notes	Actual 2006 \$'000	Actual 2005 \$'000
	<b>Income from continuing operations</b>			
	<b>Revenue:</b>			
33,727	Rates & Annual Charges	3(a)	35,820	34,134
14,607	User Charges & Fees	3(b)	13,854	15,829
1,295	Investment Revenues	3(c)	2,589	2,134
6,294	Other Revenues	3(d)	4,478	4,244
2,413	Grants & Contributions - Operating	3(e&f)	5,091	4,412
2,391	Grants & Contributions - Capital	3(e&f)	3,869	1,414
	<b>Other Income:</b>			
400	Net Gain from the Disposal of Assets	5	-	3,005
	Profit from interests in Joint Ventures & Associates	19	3	#REF!
<u>61,127</u>	<b>Total Income from continuing operations</b>		<u>65,704</u>	<u>#REF!</u>
	<b>Expenses from continuing operations</b>			
25,546	Employee Costs	4(a)	26,460	24,408
16,726	Materials & Contracts	4(c)	16,965	15,439
265	Borrowing Costs	4(b)	250	278
9,296	Depreciation & Amortisation	4(d)	9,494	9,143
7,639	Other Expenses	4(e)	7,327	#REF!
	Net Loss from the Disposal of Assets	5	1,210	-
	Loss from interests in Joint Ventures & Associates	19	#REF!	#REF!
<u>59,472</u>	<b>Total expenses from continuing operations</b>		<u>61,706</u>	<u>#REF!</u>
1,655	<b>Operating results from continuing operations</b>		<u>3,998</u>	<u>8,098</u>
<u>1,655</u>	<b>Net operating result for the year</b>		<u>3,998</u>	<u>8,098</u>
	Attributable to:			
<u>1,655</u>	WILLOUGHBY CITY COUNCIL		<u>3,998</u>	\$ <u>8,098</u>
<u>1,655</u>			\$ <u>3,998</u>	\$ <u>8,098</u>
<u>(736)</u>	<b>Net operating result before capital grants and contributions</b>		<u>\$ 129</u>	<u>\$ 6,684</u>

This Statement is to be read in conjunction with the attached Notes.

# WILLOUGHBY CITY COUNCIL

## BALANCE SHEET as at 30th June 2006

	Notes	Actual 2006 \$'000	Actual 2005 \$'000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	6	5,633	3,467
Investments	6	37,398	33,963
Receivables	7	2,643	2,578
Inventories - realisable < 12 months	8	139	122
Other	8	361	153
Non-current assets held for sale	22	15,061	-
<b>TOTAL CURRENT ASSETS</b>		<b>61,235</b>	<b>40,283</b>
<b>NON-CURRENT ASSETS</b>			
Investments	6	-	-
Receivables	7	42	42
Investments accounted for using the equity method	19	92	89
Infrastructure, Property, Plant & Equipment	9	1,989,605	2,007,302
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,989,739</b>	<b>2,004,433</b>
<b>TOTAL ASSETS</b>		<b>2,050,974</b>	<b>2,047,716</b>
<b>CURRENT LIABILITIES</b>			
Payables - realisable < 12 months	10	4,102	3,900
Payables - realisable > 12 months	10	2,733	3,026
Borrowings	10	311	1,008
Provisions - payable < 12 months	10	1,829	1,543
Provisions - payable > 12 months	10	5,047	5,134
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,022</b>	<b>14,611</b>
<b>NON-CURRENT LIABILITIES</b>			
Payables	10	1,324	1,037
Borrowings	10	4,970	5,281
Provisions	10	456	664
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>6,750</b>	<b>6,982</b>
<b>TOTAL LIABILITIES</b>		<b>20,772</b>	<b>21,593</b>
<b>NET ASSETS</b>		<b>\$ 2,030,202</b>	<b>2,026,123</b>
<b>EQUITY</b>			
Retained Earnings		2,030,202	2,026,123
<b>TOTAL EQUITY</b>		<b>\$ 2,030,202</b>	<b>2,026,123</b>

This Statement is to be read in conjunction with the attached Notes

**WILLOUGHBY CITY COUNCIL**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30th June 2006

		2006 \$'000					2005 \$'000							
		Accum Surplus	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total	Accum Surplus	Asset Reval. Reserve	Other Reserves	Council Equity Interest	Minority Interest	Total	
	Note	Balance at beginning of the reporting period	2,026,123	-	-	2,026,123	-	2,026,123	2,018,025				2,018,025	
	21	Adjustment on adoption of AASB 132 & AASB 139	81		#REF!	81	#REF!	81						
		Change in Net Assets recognised in the Income Statement	3,998			3,998	-	3,998	8,098			-	8,098	
		<b>Balance at end of the reporting period</b>	<b>2,030,202</b>	-	#REF!	<b>2,030,202</b>	#REF!	<b>2,030,202</b>	2,026,123	-	-	2,026,123	-	2,026,123

This Statement is to be read in conjunction with the attached Notes

# WILLOUGHBY CITY COUNCIL

## CASH FLOW STATEMENT for the year ended 30th June 2006

Budget 2006 \$'000		Actual 2006 \$'000	Actual 2005 \$'000
	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>Notes</u>	
	<u>Receipts</u>		
33,450	Rates & Annual Charges	35,851	34,114
14,459	User Charges & Fees	15,310	17,226
1,295	Investments Income	2,581	2,182
4,803	Grants & Contributions	9,254	6,197
6,294	Other operating receipts	6,232	5,694
	<u>Payments</u>		
(25,046)	Employee Costs	(26,517)	(23,786)
(16,636)	Materials & Contracts	(18,297)	(15,368)
(456)	Borrowing Costs	(329)	(588)
(7,629)	Other operating payments	(9,489)	(10,577)
<u>10,534</u>	<b>Net Cash provided by (or used in) Operating Activities</b>	11 <u>14,596</u>	15,094
	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>Receipts</u>		
4,029	Proceeds from sale of Infrastructure, Property, Plant & Equipment	4,819	5,089
2,250	Proceeds from sale of Investment Securities	-	-
	<u>Payments</u>		
(14,545)	Purchase of Infrastructure, Property, Plant & Equipment	(12,887)	(11,611)
(1,500)	Purchase of Investment Securities	(3,354)	(9,045)
(9,766)	<b>Net Cash provided by (or used in) Investing Activities</b>	(11,422)	(15,567)
	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	<u>Payments</u>		
(701)	Repayments of Borrowings & Advances	(1,001)	(346)
(7)	Repayment of Finance Lease Liabilities	(7)	(12)
(708)	<b>Net Cash provided by (or used in) Financing Activities</b>	(1,008)	(358)
60	<b>Net Increase (Decrease) in cash held</b>	2,166	(831)
3,467	Cash Assets at beginning of reporting period	11 <u>3,467</u>	4,298
<u>3,527</u>	<b>Cash Assets at end of reporting period</b>	11 <u>5,633</u>	<u>3,467</u>

This Statement is to be read in conjunction with the attached Notes

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES

#### Note 1 Summary of significant accounting policies

The Local Government Reporting Entity

**1.1** For the period 1 July 2005 to 30 June 2006, Willoughby City Council had its principal business office at 31 Victor Street, Chatswood, NSW 2067. Willoughby City Council is empowered by the New South Wales Local Government Act (LGA) 1993 and its Charter is specified in Section 8 of the Act.

#### **1.2 The General Fund**

In accordance with the provisions of S409 (1) of the Local Government Act 1993, all money and property received by Council is held in Council's General Fund unless it is required to be held in Council's Trust Fund.

#### **1.3 The Trust Fund**

The Council is required under the Local Government Act (Section 411) to maintain a separate and distinct Trust Fund to account for all moneys 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 moneys. Trusts 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 Council's control have been excluded from these reports. A separate statement of moneys held in the Trust Fund is available for inspection at the Council's office by any person free of cost.

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

#### **(a) Basis of Accounting**

##### **Compliance**

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting.

##### *Compliance with International Financial Reporting Standards (IFRS)*

AIFRS include certain provisions relating to not-for-profit entities that are not included in the International Financial Reporting Standards. In addition, Australian Accounting Standard AAS 27 Financial Reporting by Local Government also applies. Where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standard will apply. Except to the extent that these special provisions require, these financial statements and notes comply with International Financial Reporting Standards.



# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES (cont)

#### *Application of AASB 1 First-time Adoption of AIFRS*

These statements are the first Willoughby City Council financial statements to be prepared in accordance with AIFRS and AASB 1 has been applied in their preparation. Previous financial statements have been prepared in accordance with the former Australian Generally Accepted Accounting Principles (AGAAP) which differ in certain respects from AIFRS. When preparing these financial statements, certain accounting and valuation methods applied in AGAAP have been amended to comply with AIFRS. With the exception of financial instruments, where Council has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 (standards that relate to financial instruments) from 1 July 2005, the comparative figures have been restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous GAAP to AIFRS on Council's equity and net income are given in Note 21.

Willoughby City Council is required to comply with AAS 27 *Financial Reporting* by Local Government, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply. The specific 'not for profit' reporting requirements also apply.

#### *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, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### *Critical Accounting Estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying Council's accounting policies.

#### **(b) Revenue recognition**

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 the Council may apply contributions according to the priorities established in work schedules.

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

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

Control over granted assets 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.

Income 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.

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES (cont)

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.

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 and fees*

User charges and fees (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 plant, property, infrastructure and equipment*

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

#### *Interests 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.

In 2005/2006 Councils Section 355 Committee's accounts have not been consolidated. Although these Committees are a very important part of Council the total revenue and net assets are not material and therefore have not been consolidated into Council's Financial Statements.

#### *(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.

#### *(iii) Joint Venture entities*

Council participates in cooperative arrangements with other Councils for the provision of the Shorelink Library Network.

Joint ventures and Associated entities in relation to which Council does not exert "influence" as defined in the standards are disclosed in Note 19.

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES (cont)

#### (d) Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases. Council do not have any finance leases as at 30 June, 2006.

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 at the date of acquisition at fair value.

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

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of the Council such as roads, drains, public buildings and the like-value in use is represented by the replacement cost.

#### (g) Cash and cash equivalents

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 balance sheet.

#### (h) Receivables

Receivables are recognised initially at cost, less provision for doubtful debts.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables.

#### (i) Inventories

##### *Raw materials and stores*

Raw materials and stores are stated at the lower of cost and net realisable value.

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES (cont)

#### (j) Non-current assets held for sale

Non-current assets that are classified as held for sale are stated at the lower of their cost and realisable value.

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

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

##### From 1 July 2004 to 30 June 2005

Council has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. Council has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

##### Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

##### From 1 July 2005

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. Council holds a number of investments at fair value through profit and loss as at 30<sup>th</sup> June 2006.

##### (ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. Council holds a number of term deposits as at 30<sup>th</sup> June 2006.

Purchases and sales of investments are recognised on trade-date – the date on which the 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 are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership.

Council has an approved investment policy complying with Section 625 of the Local Government Act. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order.

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES (cont)

#### (l) Fair value estimation

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

#### (m) Infrastructure, property, plant and equipment

All infrastructure, property, plant and equipment is stated at cost (or deemed cost). Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, over their estimated useful lives, as follows:

Buildings	20 to 100 years
Vehicles	5 to 8 years
Parks Structures	20 to 100 Years
Earthmoving Equipment	5 to 15 years
Roads – substructure	50 to 100 years
Concrete Bridges	80 to 100 years
Drainage	50 to 100 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

#### (n) Payables

These amounts represent liabilities for 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.

#### (o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

#### (p) Borrowings 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.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES (cont)

#### (q) Provisions

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

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

#### (r) Employee benefits

##### (i) *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

##### (ii) *Long service leave*

The liability for long service leave 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 reporting date using the nominal method due to the difference arising from the use of the nominal method compared to the present value calculation not resulting in any material error in the financial statements. Current Employee Leave Entitlements have also been calculated using rates of pay expected to be paid in 2006/2007 as per AASB 1028.

#### (s) Rounding of amounts

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

#### (t) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available under AASB 1045.

#### (u) Provisions for close down and restoration and for environmental clean up costs – Tips and quarries

Council are not required to carry out remediation works at 30 June, 2006.

#### (v) Allocation between current and non-current

In the determination of whether an asset or liability is 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.

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30 June, 2006

### Note 1 – SIGNIFICANT ACCOUNTING POLICIES (cont)

#### (w) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

##### (i) *UIG 4 Determining whether an Asset contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. Council has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. Council will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of Council's current arrangements.

##### (ii) *UIG 5 Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

Council does not have interest in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Council's financial statements.

##### (iii) *AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]*

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. Council has not entered into any financial guarantee contracts and there will be no effect on the Council's financial statements.

##### (iv) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Council has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in the financial instruments.

##### (v) *UIG 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. Council has not sold any electronic or electrical equipment on the European market and has not incurred any associated liabilities. This interpretation will not affect the Council's financial statements.

##### (vi) *AASB 2005-6 Amendments to Australian Accounting Standards [AASB 121]*

AASB 2005-6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Council does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the financial statements.

#### (x) Self insurance

Council does not self insure and is not a member of an insurance pool.

#### (y) Land

Land is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This is disclosed in Note 9.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 2 (a) - FUNCTIONS

REVENUES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	ORIGINAL BUDGET	ACTUAL	ACTUAL	2006	2005	2006	2005
	2006 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
GOVERNANCE	11	<b>13</b>		1,022	<b>1,147</b>		(1,011)	<b>(1,134)</b>	-				
ADMINISTRATION	1,431	<b>1,058</b>	1,027	12,207	<b>14,696</b>	12,139	(10,776)	<b>(13,628)</b>	(11,112)	<b>193</b>	209	<b>96,642</b>	91,114
PUBLIC ORDER & SAFETY	3,564	<b>3,518</b>	3,592	3,133	<b>3,161</b>	3,097	431	<b>357</b>	495	<b>36</b>		<b>491</b>	391
HEALTH	38	<b>36</b>	32	506	<b>542</b>	519	(468)	<b>(506)</b>	(487)			<b>492</b>	497
COMMUNITY SERVICES & EDUCATION	3,798	<b>5,064</b>	3,600	5,559	<b>5,360</b>	5,446	(1,761)	<b>(296)</b>	(1,846)	<b>1,606</b>	1,321	<b>7,479</b>	7,653
HOUSING & COMMUNITY AMENITIES	9,642	<b>10,305</b>	9,195	15,168	<b>13,295</b>	13,288	(5,526)	<b>(2,990)</b>	(4,093)	<b>188</b>	213	<b>45,882</b>	48,495
RECREATION & CULTURE	2,998	<b>3,750</b>	2,901	10,896	<b>12,403</b>	10,596	(7,898)	<b>(8,653)</b>	(7,695)	<b>249</b>	168	<b>1,696,028</b>	1,697,019
MINING, MANUFACTURING & CONSTRUCTION	575	<b>587</b>	638	1,008	<b>1,100</b>	1,035	(433)	<b>(513)</b>	(397)				
TRANSPORT & COMMUNICATION	4,064	<b>4,715</b>	4,426	8,257	<b>9,756</b>	9,391	(4,193)	<b>(5,041)</b>	(4,965)		151	<b>196,175</b>	194,508
ECONOMIC AFFAIRS	4,824	<b>4,418</b>	9,216	1,716	<b>246</b>	1,546	3,108	<b>4,172</b>	7,670			<b>7,785</b>	8,039
<b>TOTALS - FUNCTIONS</b>	30,945	<b>33,474</b>	34,627	59,472	<b>61,706</b>	57,057	(28,527)	<b>(28,232)</b>	(22,430)	<b>2,272</b>	2,062	<b>2,050,974</b>	2,047,716
Share of Gain in associated Entity		<b>3</b>				17		<b>3</b>	(17)				
GENERAL PURPOSE REVENUES	30,182	<b>32,227</b>	30,545				30,182	<b>32,227</b>	30,545	<b>1,478</b>	1,402		
<b>TOTALS</b>	61,127	<b>65,704</b>	65,172	59,472	<b>61,706</b>	57,074	1,655	<b>3,998</b>	8,098	<b>3,750</b>	3,464	<b>2,050,974</b>	2,047,716

The above functions conform to those used by the Australian Bureau of Statistics and provide a basis for comparison with other Councils.



# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2006

### Note 2 (b) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

#### 1. Governance

Costs relating to Council's role as a component of democratic government, including elections, meetings and associated activities, area representation, and public disclosure and compliance, together with related administration costs.

#### 2. Administration

Costs not otherwise attributed to functions.

#### 3. Public Order & Safety

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

#### 4. Health

Administration and inspection, immunisations, food control, insect & vermin control, noxious plants, health centres, other.

#### 5. Community Services & Education

Administration, family day care, child-care, youth services, other services to families and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

#### 6. Housing & Community Amenities

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

#### 7. Recreation & Culture

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens, lakes, other sport and recreation.

#### 8. Mining, Manufacturing & Construction

Building control, abattoirs, quarries and pits, other.

#### 9. Transport & Communication

Roads and streets, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, works undertaken for Roads & Transport Authority, street lighting, other.

#### 10. Economic Affairs

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, private works, other business undertakings.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 3 - REVENUES

<b>(a) RATES &amp; ANNUAL CHARGES</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<u>Ordinary Rates</u>		
Residential	15,383	14,740
Business	<u>12,585</u>	<u>12,060</u>
	<u><b>27,968</b></u>	<u><b>26,800</b></u>
<u>Annual Charges</u>		
Domestic Waste Management	<u>7,852</u>	<u>7,334</u>
	<u><b>7,852</b></u>	<u><b>7,334</b></u>
<b>Total Rates &amp; Annual Charges</b>	<u><b>35,820</b></u>	<u><b>34,134</b></u>
 <b>(b) USER CHARGES &amp; FEES</b>		
<u>User Charges</u>		
Other Waste Management	<u>235</u>	<u>244</u>
	<u><b>235</b></u>	<u><b>244</b></u>
<u>Fees</u>		
Planning & Building	1,770	1,750
Restorations	469	999
Parking Revenue	2,273	1,885
Community Services	1,567	1,314
Building Related	107	203
Child Care	1,467	1,502
Sec 611 Charges	43	43
Rent & hire of non-investment property	5,560	7,531
Other	<u>363</u>	<u>358</u>
	<u><b>13,619</b></u>	<u><b>15,585</b></u>
<b>Total User Charges &amp; Fees</b>	<u><b>13,854</b></u>	<u><b>15,829</b></u>

Council has used 2003 valuations provided by the NSW Valuer General in calculating its rates. Valuations are updated every three years.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 3 - REVENUES (cont)

	2006 \$'000	2005 \$'000
<b>(c) INVESTMENT REVENUES</b>		
Interest on overdue rates & charges	50	44
Interest on cash assets & investments		
externally restricted	541	621
internally restricted	1,330	959
unrestricted	668	510
<b>Gross Investment Revenues</b>	<b>2,589</b>	<b>2,134</b>
Less: Interest deducted from capitalised borrowing costs		
<b>Total Investment Revenues</b>	<b>2,589</b>	<b>2,134</b>
<b>(d) OTHER REVENUES</b>		
Commissions & Agency Fees	9	8
Sponsorships	42	17
Fines	3,392	3,526
Insurance Claims	161	86
Council Property	214	195
Art Exhibition	13	15
Street Fair	20	22
Orchestra and Choir	31	75
Library Service	30	30
Administration and Information Service	11	4
Community Development	11	3
Legal Fees Recovery (Rates)	29	8
Legal Fees Recovery (Other)	19	19
General Administration Sundry	20	10
Sundry Sales	24	-
Sales - General	11	10
Other	441	216
<b>Total Other Revenues</b>	<b>4,478</b>	<b>4,244</b>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 3 - REVENUES (cont)

	Notes	OPERATING		CAPITAL	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>(e) GRANTS</b>					
General Purpose (Untied)					
Financial Assistance		1,478	1,402		
Pensioner Rates Subsidies (General)		193	209		
Specific Purpose					
Domestic Waste Management		92	99		
Public Order & Safety				15	
Roads & Bridges					151
Housing and Community Amenities		96	114		
Recreation & Cultural Services		135	117	134	51
Community Care Services		1,607	1,321		
<b>Total Grants &amp; Subsidies</b>		<b>3,601</b>	<b>3,262</b>	<b>149</b>	<b>202</b>
<b>Comprising:</b>					
- Commonwealth funding		2,950	2,620	36	
- State funding		627	562	99	202
- Other funding		24	80	14	
		<b>3,601</b>	<b>3,262</b>	<b>149</b>	<b>202</b>
<b>(f) CONTRIBUTIONS &amp; DONATIONS</b>					
Developer Contributions					
Section 94	17			3,644	1,205
RTA Contributions		699	914		
Other Councils - Joint Works		34	35		
Housing & Community amenities					
Public Order & Safety				29	
Community Services		15	11	32	
Recreation and Culture		249	190	15	7
Other		493			
<b>Total Contributions &amp; Donations</b>		<b>1,490</b>	<b>1,150</b>	<b>3,720</b>	<b>1,212</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>		<b>5,091</b>	<b>4,412</b>	<b>3,869</b>	<b>1,414</b>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 3 - REVENUES (cont)

#### (g) CONDITIONS OVER GRANTS & CONTRIBUTIONS

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:

	2006 \$'000		2005 \$'000	
	<u>Grants</u>	<u>Contrib</u>	<u>Grants</u>	<u>Contrib</u>
<i>Unexpended at the close of the previous reporting period</i>	134	14,407	208	13,615
<i>Less: expended during the current period from revenues recognised in previous reporting periods</i>				
<i>Section 94/64 Developer Contributions</i>		4,307	0	2,231
<i>Other</i>	70	94	147	0
<i>Subtotal</i>	70	4,401	147	2,231
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>				
<i>Section 94/64 Developer Contributions</i>		5,159	0	2,953
<i>Roads Infrastructure</i>				
<i>Heritage &amp; Cultural Services</i>				
<i>Community Care Services</i>				
<i>Other</i>	615		73	70
<i>Subtotal</i>	615	5,159	73	3,023
<i>Unexpended at the close of this reporting period and held as restricted assets</i>	679	15,165	134	14,407
<i>Net increase (decrease) in restricted assets in the</i>	545	758	-74	792

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 4 - EXPENSES

	2006 \$'000	2005 \$'000
<b>(a) EMPLOYEE COSTS</b>		
Salaries and Wages	20,098	19,006
Travelling	19	17
Employee Leave Entitlements	2,702	3,060
Superannuation	1,878	1,419
Workers' Compensation Insurance	1,503	629
Fringe Benefits Tax	377	366
Training Costs (excluding Salaries)	237	300
Other	56	66
Less: Capitalised and distributed costs	(410)	(455)
<b>Total Operating Employee Costs</b>	<b>26,460</b>	<b>24,408</b>
<b>Total Number of Employees</b>	<b>387</b>	<b>389</b>
(Full time equivalent at end of reporting period)		
<b>(b) BORROWING COSTS</b>		
Interest on Loans	250	276
Charges on Finance Leases	-	2
<b>Gross Interest Charges</b>	<b>250</b>	<b>278</b>
Less: Borrowing Costs capitalised		
<b>Total Interest Charges</b>	<b>250</b>	<b>278</b>
<b>(c) MATERIALS &amp; CONTRACTS</b>		
Raw materials & consumables	2,981	2,783
Contractor and consultancy costs	13,034	11,706
<b>Auditor's Remuneration</b>		
- Audit Services	41	41
- Other Services	3	
<b>Legal Expenses</b>		
- Planning & Development	350	472
- Other Legal Expenses	385	300
<b>Operating Lease Rentals - non-cancellable</b>		
- minimum lease payments	59	52
Other	112	85
<b>Total Materials &amp; Contracts</b>	<b>16,965</b>	<b>15,439</b>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 4 - EXPENSES (cont)

	2006 \$'000	2005 \$'000
<b>(d) DEPRECIATION, AMORTISATION &amp; IMPAIRMENT</b>		
Plant and Equipment	968	875
Office Equipment	401	463
Furniture & Fittings	351	363
Leased Property, Plant & Equipment	6	10
Land Improvements	933	894
Buildings	1,380	1,191
Other Structures	157	118
Infrastructure		
- roads, bridges & footpaths	4,112	4,042
- stormwater drainage	681	677
- library books	306	302
- other	199	208
<b>Total Depreciation, Amortisation &amp; Impairment</b>	<b>9,494</b>	<b>9,143</b>
<b>(e) OTHER EXPENSES</b>		
Advertising	347	344
Water Rates and Other Services	216	193
Child Care Assistance fee relief	239	257
Donations & Contributions to Local & Regional Bodies	244	254
Bank Fees	197	192
Individually Significant Item	(see below)	
Insurances	1,172	1,129
Light, Power & Heating	533	467
Mayoral Allowance	45	44
Members' Fees & Allowances	223	213
Fire Board Contribution	1,178	1,114
EPA Levy	175	170
Parking Meters	-	150
Events and Community Projects	42	37
Orchestra Costs	71	83
Commissions and Agency Fees	627	777
Parking Space Levy	90	360
Computer operating expenses	286	211
Valuation Fees	85	84
Street Lighting	591	553
Subscriptions & Publications	91	100
Telephone & Communications	470	484
Other	405	573
<b>Total Other Expenses</b>	<b>7,327</b>	<b>7,789</b>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 5 - GAIN OR LOSS ON DISPOSAL OF ASSETS

	2006 \$'000	2005 \$'000
<b>DISPOSAL OF PROPERTY</b>		
Proceeds from disposal	3,570	3,186
Less: Carrying amount of assets sold	5,085	358
<b>Gain (Loss) on disposal</b>	<b>(1,515)</b>	<b>2,828</b>
<b>DISPOSAL OF INFRASTRUCTURE, PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	1,249	1,903
Less: Carrying amount of assets sold	944	1,726
<b>Gain (Loss) on disposal</b>	<b>305</b>	<b>177</b>
<b>TOTAL GAIN (LOSS) ON DISPOSAL OF ASSETS</b>	<b>(1,210)</b>	<b>3,005</b>



# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 6 - CASH ASSETS & INVESTMENT SECURITIES

	2006		2005	
	Current	Non-Current	Current	Non-Current
<b>(a) CASH ASSETS</b>				
Cash on Hand and at Bank	6		6	
Deposits at Call	5,627		3,461	
<b>Total Cash Assets</b>	<b>5,633</b>		<b>3,467</b>	
<i>Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash Assets subject to external restrictions that are not expected to be discharged during the next reporting period are classified as Non-Current.</i>				
<b>(b) INVESTMENT SECURITIES</b>				
<b>Summary</b>				
Financial assets at fair value through profit and loss	33,898	-	31,463	-
Held to maturity investments	3,500	-	2,500	-
Available for sale financial assets	-	-	-	-
<b>Total</b>	<b>37,398</b>	<b>-</b>	<b>33,963</b>	<b>-</b>
<b>Financial assets at fair value through profit and loss</b>				
At beginning of year	31,463			
Adjustment on adoption of AASB 132 & AASB 139	81			
Revaluation to Income Statement	(35)			
Additions	9,860			
Disposals	(7,471)			
Transfers Current/Non-current	-	-	-	-
At end of year	<b>33,898</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Held for trading:</b>				
- Managed Funds	23,352			
- CDOs				
- FRNs	9,546			
- Equity linked notes	1,000			
	<b>33,898</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Held to Maturity Investments</b>				
At beginning of year	2,500	-		
Adjustment on adoption of AASB 132 & AASB 139				
Amortisation of discounts and premiums				
Additions	3,000			
Disposals	(2,000)			
Transfers Current/Non-current	-	-	-	-
At end of year	<b>3,500</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprising:</b>				
- Government Bonds				
- Term Deposits	3,500			
- Bank Bills				
- Other				
	<b>3,500</b>	<b>-</b>	<b>-</b>	<b>-</b>

*The permitted forms of investment in financial instruments of the Council are defined in an order made by the Minister of Local Government on 15 July 2005, and may broadly be described as "Trustee Securities". Accordingly, credit risk is considered to be insignificant. Deposits and Bills are with, or have been accepted by, banks and credit unions and bear various rates of interest between 5.80% and 6.19% (2005 - 5.75% and 6.40%). NCDs, CDOs, FRNs and Managed Funds are all with organisations with credit ratings that comply with the Minister's Order and bear various rates of rates of return between 4.21 and 7.70% (2005 - 5.88% and 7.46%).*

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 6 - CASH ASSETS & INVESTMENT SECURITIES (cont)

#### RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

	2006		2005	
	\$'000		\$'000	
	Current	Non-Current	Current	Non-Current
Cash Assets	5,633		3,467	
Investment Securities	37,398	-	33,963	-
<b>TOTAL CASH ASSETS &amp; INVESTMENT SECURITIES</b>	<b>43,031</b>	<b>-</b>	<b>37,430</b>	<b>-</b>
<b>External Restrictions</b>	<b>17,859</b>	<b>-</b>	<b>16,395</b>	<b>-</b>
<b>Internal Restrictions</b>	<b>22,234</b>	<b>-</b>	<b>15,029</b>	<b>-</b>
<b>Unrestricted</b>	<b>2,938</b>	<b>-</b>	<b>6,006</b>	<b>-</b>
	<b>43,031</b>	<b>-</b>	<b>37,430</b>	<b>-</b>

#### DETAILS OF MOVEMENTS OF RESTRICTED CASH ASSETS & INVESTMENT SECURITIES

Notes	Opening Balance 30 June 2005	Movements		Closing Balance 30 June 2006
		Transfers To Restriction	Transfers From Restriction	
		\$'000	\$'000	
<b>External Restrictions</b>				
<b>Included in liabilities</b>				
<b>Other</b>				
Developer Contributions	14,143	2,535	1,683	14,995
RTA Contributions	264	-	94	170
Unexpended Grants	134	615	70	679
Water Supply funds			-	
Sewerage funds			-	
Domestic Waste Management	1,854	200	39	2,015
Other			-	
	<b>16,395</b>	<b>3,350</b>	<b>1,886</b>	<b>17,859</b>
<b>Total External Restrictions</b>	<b>16,395</b>	<b>3,350</b>	<b>1,886</b>	<b>17,859</b>

*External Restrictions arise pursuant to section 409(3) of the Local Government Act, the Local Government (Financial Management) Regulation 1999 and other applicable legislation. Further information relating to Developer Contributions is provided in Note 17 and Unexpended Grants in Note 3. Amounts raised by special rates (eg. Water & Sewer) or for Domestic Waste Management may only be used for those purposes.*

#### **Internal Restrictions**

Employee Leave Entitlements	1,393		-	1,393
Asset Improvement	919	100	223	796
Replacement - Plant & Vehicles	407	200	-	607
Employee Overheads	185		-	185
Community Facilities	703		224	479
Repair to Damage-Road and Footway	24		-	24
Information Technology	167		-	167
Artarmon Redevelopment	63		-	63
Property Redevelopment	1,664	360	1,493	531
Environmental Development Plan	407	119	-	526
Insurance Claims	191	12	-	203
Constant Companion	39		13	26
Willoughby Suganami Com	5		-	5
Regency Leisure Centre Trust	1,038	286	-	1,324
Regency Leisure Centre Lease	817	209	-	1,026
Depot	1,000	500	-	1,500
Property Plan	-	2,990	-	2,990
Civic Place	4,965	4,181	-	9,146
Zenith Theatre	56		13	43
Choir	24		7	17
Loans General	829	215	-	1,044
Library Friends	133	6	-	139
<b>Total Internal Restrictions</b>	<b>15,029</b>	<b>9,178</b>	<b>1,973</b>	<b>22,234</b>
<b>Total Restrictions</b>	<b>31,424</b>	<b>12,528</b>	<b>3,859</b>	<b>40,093</b>

*Internal Restrictions arise pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amounts of cash assets and cash investments not otherwise restricted.*

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 7 - RECEIVABLES

	2006 \$'000		2005 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
Rates & Annual Charges	773	42	804	42
User Charges & Fees	974		1,127	
Accrued Revenues	317		309	
Other levels of Government	361		290	
Other	267		117	
Total	2,692	42	2,647	42
Less: Allowance for Doubtful Debts				
User Charges & Fees	49		69	
	2,643	42	2,578	42

#### **Rates, Annual Charges, Interest & Extra Charges**

Overdue rates and annual charges (being amounts not paid on or before the due date determined in accordance with the Local Government Act) are secured over the relevant land and are subject to simple interest at a rate of 9.00% (2005: 9.00%). Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within the Council boundaries in the State of New South Wales.

#### **Other levels of Government**

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of the Government of New South Wales and the Government of Australia.

#### **Other Receivables**

Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

#### **RESTRICTED RECEIVABLES**

Domestic Waste Management	139		182	-
Other				
Total Restrictions	139	-	182	-
Unrestricted Receivables	2,504	42	2,396	42
<b>Total Receivables</b>	<b>2,643</b>	<b>42</b>	<b>2,578</b>	<b>42</b>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 8 - INVENTORIES & OTHER ASSETS

	2006 \$'000		2005 \$'000	
	<u>Current</u>	<u>Non-Current</u>	<u>Current</u>	<u>Non-Current</u>
<b>INVENTORIES</b>				
Stores & Materials	139		122	
<b>Total Inventories</b>	<b>139</b>	<b>-</b>	<b>122</b>	<b>-</b>

*Aggregate write-downs and other losses recognised as an expense, and reversals of these, were not material in amount in either year. All such reversals occurred principally as a result of clerical inaccuracies during stores operations.*

<b>OTHER ASSETS</b>				
Prepayments	361		153	
<b>Total Other Assets</b>	<b>361</b>	<b>-</b>	<b>153</b>	<b>-</b>

## WILLOUGHBY CITY COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

#### Note 9 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2005				CARRYING AMOUNT MOVEMENTS DURING YEAR							2006			
	\$'000				\$'000							\$'000			
	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT	Asset Purchases	Asset Disposals	Depreciation	Impairment	Transfer/ Adjustments	Transfer to Held for Sale	Net Revaluation	AT COST	AT FAIR VALUE	ACCUM DEPN	CARRYING AMOUNT
Plant & Equipment	6,755	-	(3,200)	3,555	2,108	(944)	(968)	-	-	-	-	6,838	-	(3,087)	3,751
Office Equipment	4,306	-	(3,186)	1,120	421	-	(401)	-	-	-	-	4,727	-	(3,587)	1,140
Furniture & Fittings	5,091	-	(4,101)	990	33	-	(351)	-	-	-	-	5,124	-	(4,452)	672
Leased Plant & Equipment	51	-	(45)	6	-	-	(6)	-	-	-	-	51	-	(51)	-
Land															
- Council operational	64,978	-	-	64,978	-	-	-	-	(1,889)	(12,279)	-	50,810	-	-	50,810
- Council community	1,640,999	-	-	1,640,999	-	(180)	-	-	2,798	(1,600)	-	1,642,017	-	-	1,642,017
- non deprec land improv'ts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	42,629	-	(17,208)	25,421	1,284	-	(933)	-	-	-	-	43,913	-	(18,141)	25,772
Buildings	111,292	-	(38,739)	72,553	3,802	(4,905)	(1,380)	-	(909)	(213)	-	106,255	-	(37,307)	68,948
Other Structures	5,018	-	(2,306)	2,712	503	-	(157)	-	-	-	-	5,521	-	(2,463)	3,058
Infrastructure															
- Roads, bridges, footpaths	329,948	-	(173,097)	156,851	3,426	-	(4,112)	-	-	(794)	-	332,186	-	(176,815)	155,371
- Bulk earthworks (non-deprec.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater drainage	68,046	-	(31,851)	36,195	174	-	(681)	-	-	-	-	68,220	-	(32,532)	35,688
- Water Supply Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Sewerage Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets															
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	2,969	-	(1,990)	979	384	-	(306)	-	-	-	-	3,353	-	(2,296)	1,057
- Other	3,369	-	(2,426)	943	577	-	(199)	-	-	-	-	3,947	-	(2,626)	1,321
Future Reinstatement Costs															
- Tips	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>2,285,451</b>	<b>-</b>	<b>(278,149)</b>	<b>2,007,302</b>	<b>12,712</b>	<b>(6,029)</b>	<b>(9,494)</b>	<b>-</b>	<b>-</b>	<b>(14,886)</b>	<b>-</b>	<b>2,272,962</b>	<b>-</b>	<b>(283,357)</b>	<b>1,989,605</b>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year ended 30<sup>th</sup> June 2006

### Note 9 (cont) - PROPERTY, PLANT & EQUIPMENT

#### Valuation of Assets

At 1 July 2000 upon the commencement of Australian Accounting Standard AAS 38 (AASB 1041) "Revaluation of Non-Current Assets", Council elected pursuant to paragraph 10.4(a) of the standard to revert to the cost basis for all classes of assets previously carried at revalued amounts.

#### **Plant & Equipment, Office Equipment, Furniture & Fittings, Leased Plant & Equipment**

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

Major depreciation periods are:

Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles & Road-making Equip	5 to 8 years
Other Plant & Equipment	5 to 15 years

Asset capitalisation thresholds include:

Office Furniture & Equipment	>\$1,000
Other Plant & Equipment	>\$1,000

#### **Land - Council owned**

Freehold land was valued by independent valuation in the reporting period ended 30 June 1995. Pursuant to Council's election, these amounts are disclosed at deemed cost.

All land acquired after 1 July 1995 is recorded at cost. No capitalisation threshold is applied to the acquisition of land or interests in land.

#### Current valuation

An independent valuation of freehold land based on market value was undertaken by the Valuer General as at 1 July 2000 and totalled \$191,040,000.

This new valuation has not been brought to account as Council will continue to adopt the "cost" basis for recording these classes of assets.

#### **Buildings**

Buildings were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Buildings - masonry	50 to 100 years
Buildings – other construction	20 to 40 years

Asset capitalisation thresholds include:

New construction/extensions	\$10,000
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#### Current valuation

An independent valuation of buildings based on written down current replacement cost as at 30 June 2002 was undertaken by Mr Roger Horton, FAPI FRICS, of International Valuation Consultants and totalled \$132,036,000. The valuation has been made in accordance with recognised valuation procedures as to fair and reasonable value, useful life and remaining life.

These new valuations have not been brought to account as Council will continue to adopt the "cost" basis for recording this class of assets.

All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Buildings - masonry	50 to 100 years
Buildings – other construction	20 to 40 years

Asset capitalisation thresholds include:

New construction/extensions	\$10,000
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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Note 9 – Property, Plant & Equipment (cont)

#### Land Improvements, Other Structures and Infrastructure

Land improvements and other structures were valued by independent valuation during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Park Structures - masonry	50 to 100 years
Park Structures – other construction	20 to 40 years
Playground equipment	5 to 15 years
Benches, seats, etc	10 to 20 years

Asset capitalisation thresholds include:

Park Furniture & Equipment	\$2,000
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Transportation assets were valued by Council officers at written down current replacement cost during the reporting period ended 30 June 1996 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Sealed Roads - Surface	20 to 50 years
Sealed Roads – Structure	20 to 50 years
Unsealed Roads	10 to 20 years
Bridges – Concrete	80 to 100 years
Bulk Earthworks	indefinite

Asset capitalisation thresholds include:

Road construction & reconstruction	\$10,000
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Stormwater drainage infrastructure was valued by Council officers as at 30 June 1997 at written down current replacement cost, based on actual costs incurred during the reporting period ended 30 June 1997 and pursuant to Council's election are disclosed at deemed cost. All acquisitions made after the respective dates of valuation are recorded at cost. Major depreciation periods are:

Drains	80 to 100 years
Culverts	50 to 75 years
Flood Control Structures	80 to 100 years

Asset capitalisation thresholds include:

Drains & Culverts	\$5,000
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#### All other assets

Assets acquired after 1 January 1993 are recorded at cost. Assets acquired prior to that date and depreciated in accordance with the Local Government Accounting Regulations 1979 are recorded at deemed cost, being the carrying value of those assets at 31 December 1992.

Major depreciation periods are:

Library Books	5 to 15 years
Artworks	indefinite

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 10 - LIABILITIES

(a)	2006 \$'000		2005 \$'000	
	Current	Non-Current	Current	Non-Current
<b>PAYABLES</b>				
Goods & Services	2,238	1,324	2,110	1,037
Payments received in advance	19		78	
Accrued Expenses	258		337	
Deposits, Retentions & Bonds	3,907		4,055	
Other	413		346	
<b>Total Payables</b>	<b>6,835</b>	<b>1,324</b>	<b>6,926</b>	<b>1,037</b>
<b>BORROWINGS</b>				
Loans	236	3,351	926	3,587
Finance Lease Liability			7	-
Deferred Payment Liabilities	75	1,619	75	1,694
Other			-	-
<b>Total Borrowings</b>	<b>311</b>	<b>4,970</b>	<b>1,008</b>	<b>5,281</b>

*All interest bearing liabilities are secured over the future revenues of the Council.*

#### PROVISIONS

Annual Leave	2,286		2,386	-
Long Service Leave	4,436	234	4,260	284
Gratuities	-	173	-	256
Other	154	49	31	124
<b>Total Provisions</b>	<b>6,876</b>	<b>456</b>	<b>6,677</b>	<b>664</b>

#### LIABILITIES relating to RESTRICTED ASSETS

##### Domestic Waste Management

Provisions	74	2	72	12
<i>Total</i>	<b>74</b>	<b>2</b>	<b>72</b>	<b>12</b>

#### (b) Description of and movements in Provisions

Class of provision	Opening Balance \$'000	Increase in provision \$'000	Payments \$'000	Re measure \$'000	Closing Balance \$'000
Annual Leave	2,386	100	200		2,286
Long Service Leave	4,544	353	227		4,670
Gratuities	256	-	40	43	173
Other	155	48	-		203
	<b>7,341</b>	<b>501</b>	<b>467</b>	<b>43</b>	<b>7,332</b>



# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

**(a) Reconciliation of Cash**

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2006 \$'000	2005 \$'000
Total Cash Assets (Note 6)	5,633	3,467
Less: Bank Overdraft (Note 10)	-	-
<b>Balances per Statement of Cash Flows</b>	<b>5,633</b>	<b>3,467</b>

**(b) Reconciliation of Change in Net Assets to Cash  
from Operating Activities**

Net Operating Result from Income Statement	3,998	8,098
Add: Depreciation and Amortisation	9,494	9,143
Increase in employee benefits provisions	-	611
Increase in other provisions	48	
Increase in trade creditors	356	
Increase in other payables	-	939
Loss on Sale of Assets	1,210	
Equity share of loss in Associates	-	17
	15,106	18,808
Less: Decrease in provision for doubtful debts	20	
Decrease in employee benefits provisions	57	
Decrease in other provisions	-	
Increase in receivables	45	142
Increase in inventories	17	25
Increase in other assets	208	33
Decrease in trade creditors	-	441
Decrease in accrued expenses payable	79	68
Decrease in other payables	81	
Gain on Sale of Assets	-	3,005
Equity share of profit in Associates	3	
<b>Net Cash provided by (or used in) operations</b>	<b>14,596</b>	<b>15,094</b>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 11 (cont) - RECONCILIATION TO CASH FLOW STATEMENT

	2006 \$'000	2005 \$'000
<b>(c) Non-Cash Financing and Investing Activities</b>		
<b>(d) Financing Arrangements</b>		

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts		
Total Facilities	<b>1,200</b>	1,200
Corporate Credit Cards		

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates for loans are fixed for the period of the loan.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 12 - COMMITMENTS FOR EXPENDITURE

	2006 \$'000	2005 \$'000
<b>(a) Capital Commitments</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Land	520	1,291
Buildings	760	897
Other Structures	348	52
Other Assets	636	1,094
Roads	3,550	4,016
Carparks	155	240
Plant & Equipment	100	35
	<b>6,069</b>	<b>7,625</b>
These expenditures are payable:		
Not later than one year	6,069	7,625
Later than one year and not later than 5 years		
Later than 5 years		
	<b>6,069</b>	<b>7,625</b>

*Commitments for Capital Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.*

<b>(b) Other Expenditure Commitments</b>		
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:		
Audit Services	40	40
Domestic Waste Management Services	16,128	19,354
Other Maintenance Services	123	574
Cleaning Services	272	123
Other		
	<b>16,563</b>	<b>20,091</b>
These expenditures are payable:		
Not later than one year	3,661	3,676
Later than one year and not later than 5 years	12,902	13,189
Later than 5 years	-	3,226
	<b>16,563</b>	<b>20,091</b>

*Commitments for other Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.*

<b>(c) Finance Lease Commitments</b>		
Commitments under finance leases at the reporting date are as follows:		
Not later than one year		7
Later than one year and not later than 5 years		
Later than 5 years		
Minimum lease payments	-	7
Less: future finance charges		
Net Lease Liability	-	7
Representing lease liabilities:		
Current	-	7
Non-Current	-	-
	-	7

*No Joint Ventures or Partnerships have any finance lease arrangements.*

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 12 (CONT) - COMMITMENTS FOR EXPENDITURE

	2006 \$'000	2005 \$'000
<b>(d) Operating Lease Commitments (Non-Cancellable)</b>		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
<u>Total Future Minimum Lease Payments</u>		
Not later than one year	53	53
Later than one year and not later than 5 years	122	122
Later than 5 years		
	<u>175</u>	<u>175</u>

Council has entered into non-cancellable operating leases for various items of computer and other plant and equipment.

(i) Contingent rental payments have been determined in accordance with Council's Annual Management Plan which is publicly notified in May/June each year.

(ii) No lease imposes any additional restrictions on Council in relation to additional debt or further leasing in relation to additional debt or further leasing.

*Commitments for Operating Lease Expenditures relating to Joint Ventures and Partnerships are set out in Note 19.*

### **(e) Remuneration Commitments**

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities, payable:

Not later than one year	925	879
Later than one year and not later than 5 years	1,385	2,309
Later than 5 years		
	<u>2,310</u>	<u>3,188</u>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 13 - STATEMENT OF PERFORMANCE MEASUREMENT

	<u>Amounts</u>	<u>2006</u> <u>Indicators</u>	2005	2004	2003
<b>Current Ratio</b>					
<u>Current Assets</u>	\$61,235	4.37:1	2.76:1	3.08:1	2.49:1
Current Liabilities	\$14,022				
<b>Unrestricted Current Ratio</b>					
<u>Unrestricted Current Assets*</u>	\$43,237	7.01:1	3.72:1	2.18:1	1.69:1
Current Liabilities not relating to Restricted Assets	\$6,168				
<b>Debt Service Ratio</b>					
<u>Net Debt Service Cost</u>	\$1,258	2.15%	1.04%	3.19%	2.86%
Operating Revenue	\$58,145				
<b>Rate &amp; Annual Charges Coverage Ratio</b>					
<u>Rates &amp; Annual Charges Revenues</u>	\$35,820	54.52%	52.38%	55.27%	48.49%
Total Revenues	\$65,704				
<b>Rates &amp; Annual Charges Outstanding Percentage</b>					
<u>Rates &amp; Annual Charges Outstanding</u>	\$815	2.22%	2.42%	2.46%	2.35%
Rates & Annual Charges Collectible	\$36,745				

*Detailed methods of calculation of these indicators is defined in the Code.*

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 14 - INVESTMENT PROPERTY

	2006 \$'000	2005 \$'000
<b>At fair value</b>		
Opening balance at 1 July	0	0
Acquisitions	0	0
Capitalised subsequent expenditure		0
Classified as held for sale		
Net gain (loss) from fair value adjustment	0	0
Transfer (to) from inventories or infrastructure, property, plant & equipment	0	
Carrying value of disposals	0	0
Closing balance at 30 June	0	0
 <b>Amounts recognised in profit and loss</b>		
Rental income		
Outgoings recouped		
Net gain (loss) from fair value adjustment	0	0
Repairs, maintenance & other operating expenses		
- <i>property generating rental income</i>		
- <i>property not generating rental income</i>	0	0

#### Valuation basis

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction and reflects market conditions at the reporting date.

**Contractual arrangements** - see Note 12.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 15 - FINANCIAL INSTRUMENTS

#### Interest Rate Risk Exposures

2006	Floating	Fixed interest maturing in			Non-interest bearing	Total
	Interest Rate	≤ 1 year	> 1 year < 5 years	> 5 years		
	'000	'000	'000	'000	'000	'000
<b>Financial Assets</b>						
Cash Assets	6	5,627			-	5,633
Investment Securities		37,398			-	37,398
<b>Receivables</b>						
Rates & Annual Charges		773	42			815
User Charges & Fees					925	925
Deferred Debtors		-	-			-
Other levels of Govt.					361	361
Retirement Home Contribs.					-	-
Other					267	267
<b>Other Financial Assets</b>						
<b>Total</b>	<b>6</b>	<b>43,798</b>	<b>42</b>	<b>-</b>	<b>1,553</b>	<b>45,399</b>
<i>Weighted Average Interest Rate</i>	5.70%	6.41%	6.45%			

#### Financial Liabilities

<b>Payables</b>						
Goods & Services					3,562	3,562
Payments in advance					19	19
<b>Advances</b>						
Retirement Home Contribs.					-	-
Deposits, Retentions, Bonds					3,907	3,907
Other					413	413
<b>Interest Bearing Liabilities</b>						
	-	236	1,102	2,249	1,694	5,281
<b>Finance Lease Liabilities</b>						
	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>236</b>	<b>1,102</b>	<b>2,249</b>	<b>9,595</b>	<b>13,182</b>
<i>Weighted Average Interest Rate</i>		5.18%	6.19%	6.19%		

#### NET FINANCIAL ASSETS (LIABILITIES)

6	43,562	(1,060)	(2,249)	(8,042)	32,217
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#### 2005 Comparatives

In accordance with AASB 1.36A, comparative figures are not presented for the first year of adoption of Australian equivalents to International Financial Reporting Standards.

#### 2005

#### Financial Assets

Cash Assets	6	3,461			-	3,467
Investment Securities		33,963			-	33,963
<b>Receivables</b>						
Rates & Annual Charges		804	42			846
User Charges & Fees					1,058	1,058
Deferred Debtors		-	-			-
Other levels of Govt.					290	290
Retirement Home Contribs.					-	-
Other					117	117
<b>Other Assets</b>						
					-	-
<b>Total</b>	<b>6</b>	<b>38,228</b>	<b>42</b>	<b>-</b>	<b>1,465</b>	<b>39,741</b>
<i>Weighted Average Interest Rate</i>	5.45%	6.36%	6.33%			

#### Financial Liabilities

#### Payables

Goods & Services					3,147	3,147
Payments in advance					78	78
<b>Advances</b>						
Retirement Home Contribs.					-	-
Deposits, Retentions, Bonds					4,055	4,055
Other					346	346
<b>Interest Bearing Liabilities</b>						
	-	926	1,037	2,550	1,769	6,282
<b>Finance Lease Liabilities</b>						
	-	7	-	-	-	7
<b>Total</b>	<b>-</b>	<b>933</b>	<b>1,037</b>	<b>2,550</b>	<b>9,395</b>	<b>13,915</b>
<i>Weighted Average Interest Rate</i>		6.17%	5.98%	5.98%		

#### NET FINANCIAL ASSETS (LIABILITIES)

6	37,295	(995)	(2,550)	(7,930)	25,826
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## WILLOUGHBY CITY COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

#### Note 15 (CONT) - FINANCIAL INSTRUMENTS

##### Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any provision for doubtful debts. Except as detailed in Note 7 in relation to individual classes of financial assets, exposure is concentrated within the Council's boundaries within the State of New South Wales, and there is no material exposure to any individual debtor.

##### Reconciliation of Financial Assets & Liabilities

	2006 \$'000	2005 \$'000
Net financial assets from previous page		
Financial Assets	45,399	39,741
Financial Liabilities	13,182	13,915
	32,217	25,826
Non-financial assets and liabilities		
Accrued Revenues	317	309
Inventories	139	122
Property, Plant & Equipment	1,989,605	2,007,302
Investment Property	0	0
Interest in Associated Bodies	92	89
Other Assets	361	153
Accrued Expenses	-258	-337
Provisions	-7,332	-7,341
Non Current assets held For Sale	15,061	0
	1,997,985	2,000,297
Net Assets per Balance Sheet	2,030,202	2,026,123

##### Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. With the exception of investments, there is no recognised market for the financial assets of the Council.



# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2006

### Note 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Council's original budget comprised part of the Management Plan adopted by Council on 14th June 2005. The original projections on which the budget was based have been affected by decisions and new grant programs initiated by State and Federal Governments, by the weather, and by decisions made by the Council.

This Note sets out the principal variations between the original Budget and Actual results for the Income Statement.

Further information of the nature and amount of all variations is available from the Council office upon request.

#### 1 INCOME STATEMENT

##### 1.1 Loss from Disposal of Assets

There was no provision made in the Original Budget for a loss on sale of assets.

A number of assets were disposed of during the year by sale (plant & equipment & buildings) or compulsory acquisition (railway interchange) resulting in a net loss on sale of assets of \$975 k (U) 100% for the year.

##### 1.2 Investment Revenues

Investment Revenues were over budget by \$1.3M (F) 100% for the year. This resulted from an increase in the amount invested as well as diversification of funds into various types of investment securities on the short term money and treasury markets.

##### 1.3 Other Revenues

The amount Budgeted for Parking Meter Revenue is included in Other Revenues while the actual income received is included in user charges and fees

Some of the operating grants have been budgeted for under other revenues.

There is a variation of \$1.8M (U) 28.9% for the year

##### 1.4 Grants and Contributions - Operating

In many instances, the actual amount of grants received depends on decisions made by State and Federal Governments after the original budget was adopted.

Some of the operating grants have been budgeted for under other revenues.

A number of grants have been received that were not included in the original budget.

Operating Grants & Contributions was over budget by \$2.7M (F) 111% for the year.

##### 1.5 Grants & Contributions Received – Capital

In many instances, the actual amount of grants received depends on decisions made by State and Federal governments after the original Budget was adopted.

A variation was experienced in relation to developer contributions as a result of changes in the level of economic activity.

Grants & Contributions-Capital was over Budget by \$1.5M (F) 61.8% for the year.

## WILLOUGHBY CITY COUNCIL

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

#### Note 17 - STATEMENT OF CONTRIBUTION PLANS

##### SUMMARY OF CONTRIBUTIONS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST/REN T EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROWING S (to)/from	HELD AS RESTRICTE D ASSET	WORKS PROVIDED TO DATE
		CASH	NON-CASH					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	190	108		10	12		296	313
Roads	2,603			104			2,707	1,767
Traffic Facilities		329		(8)	600		(279)	6,638
Parking	1,935	2		47	628		1,356	1,574
Open Space		1,466		960	3,063		(637)	40,535
Community facilities	1,707	279		75	4		2,057	640
Child Care	704	1,460		77			2,241	930
Subtotal S94 under plans	7,139	3,644		1,265	4,307		7,741	52,397
Sec 94 not under plans	7,004			250			7,254	14,748
<b>Total Contributions</b>	<b>14,143</b>	<b>3,644</b>		<b>1,515</b>	<b>4,307</b>		<b>14,995</b>	<b>67,145</b>

**Note:** The above summary of contribution plans represents the total of Council's individual contribution plans. Individual plan details are shown below.

##### Willoughby City Council Contribution Plan 1

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST/REN T EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROWING S (to)/from	HELD AS RESTRICTE D ASSET	WORKS PROVIDED TO DATE
		CASH	NON-CASH					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage	190	108		10	12		296	313
Roads	2,603			104			2,707	1,767
Traffic Facilities	0	329		-8	600		-279	6,638
Parking	1,935	2		47	628		1,356	1,574
Open Space	0	1,466		960	3,063		-637	40,535
Community facilities	1,707	279		75	4		2,057	640
Child care	704	1,460		77			2,241	930
<b>Total</b>	<b>7,139</b>	<b>3,644</b>		<b>1,265</b>	<b>4,307</b>		<b>7,741</b>	<b>52,397</b>

##### CONTRIBUTIONS NOT UNDER PLANS

PURPOSE	OPENING BALANCE	CONTRIBUTIONS RECEIVED DURING YEAR		INTEREST/REN T EARNED DURING YEAR	EXPENDED DURING YEAR	INTERNAL BORROWING S (to)/from	HELD AS RESTRICTE D ASSET	WORKS PROVIDED TO DATE
		CASH	NON-CASH					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Drainage								28
Roads								169
Traffic Facilities	665			24			689	4,849
Parking	6,339			226			6,565	2,153
Open Space								1,959
Community facilities								4,853
Child Care								737
<b>Total</b>	<b>7,004</b>			<b>250</b>			<b>7,254</b>	<b>14,748</b>

**Note:** Interest earned includes rental income of \$973,900

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 18 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF BALANCE SHEET

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to user of the financial report in making and evaluating decisions about the allocation of scarce resources.

#### POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

#### Statewide Mutual

Council is a member of Statewide Mutual, an organisation formed for the purchase and management of certain insurances on behalf of its members. Council is liable to contribute its proportionate share of any shortfall arising through the scheme.

Statewide Mutual's Directors report that the scheme has an accumulated surplus of \$2,679,283.

Details of an agreement between the Commonwealth and State Governments for the partial reimbursement of losses incurred were advised on 22 June 2004. Statewide Mutual is complying with the specified procedures but has not advised whether its claim has been accepted.

#### Civic Place Project

The Civic place site is arguably the most valuable public land owned by Willoughby City. Due to the pressing need for a new library, public facilities, open space and the community's desire to undertake long term planning for the site, Council in 2000, identified the Civic Place Project as a high priority.

Council resolved to prepare a comprehensive masterplan for Civic Place inclusive of staging and funding plans for construction. The masterplan was prepared over a three year period from 2000 to 2003 and was publicly exhibited from April 2003 to March 2004.

The Masterplan was exhibited and included both Staging and Financial plans to show that the concept proposal in the Masterplan as exhibited was within Council's financial capacity.

The Masterplan was adopted by Council on 12 July 2004 and Council is proceeding with the necessary steps to deliver the project.

These next steps include the preparation of the Planning Instruments (LEP and DCP), the concept design stage, the donor funding program, State and federal Government partnerships, expressions of interest for the Archer Street precinct, terms for the lease/sale council assets, feasibility study for private public partnerships and budgetary policy decisions.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### **Note 18 (cont) - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION (cont)**

#### **LEGAL EXPENSES**

Council is the planning consent authority for its area under the Environmental Planning & Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 15 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.

#### **CHATSWOOD INTERCHANGE**

Council received a compensation payment for the acquisition of the bus interchange at Chatswood Railway station as part of the Transport Infrastructure Development Corporations development of the railway precinct. Council is not satisfied with the amount of compensation and is seeking the payment of a higher amount through the courts.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 19 - JOINT VENTURES & ASSOCIATED ENTITIES

#### (a) - Entities not "Controlled" by any member

Council participates in the following cooperative organisations, the activities of which are not controlled by any one member:

##### **Shorelink Library Network**

Established by Manly, Lane Cove, Mosman, North Sydney and Willoughby Council's, this organisation is responsible for overseeing the automation of Public Library services between the participating council's.

<b>Shorelink Library Network</b>	<b>2006</b>	2005
Council's respective interests are:		
- interest in outputs of the joint operation	<b>33%</b>	33%
- ownership interest in the joint operation	<b>24%</b>	24%
- the proportion of voting power in the joint operation	<b>20%</b>	20%
<u>Movements in Investment in Joint Operation</u>	<u><b>\$'000</b></u>	<u><b>\$'000</b></u>
Opening Balance	89	106
Amount recognised on adoption of AAS19		
New Capital Contributions		
Share in Operating Result	3	-17
Distributions Received		
Adjustment to Equity Share		
<b>Share in Equity of Joint Operation</b>	<u><b>92</b></u>	<u><b>89</b></u>

In accordance with the Code of Accounting Practice, reserves other than Asset Revaluation Reserve have been treated as internal restrictions of cash and investments, and are included in the Share in Equity of the Joint Operation.

Revenues, expenses, assets and liabilities of these operations included within these reports in accordance with Australian Accounting Standard AAS 19 "Accounting for Interests in Joint Ventures" are summarised below. Reporting periods and accounting policies adopted by both joint operations conform to those adopted by Council. No events have occurred after balance date the financial effects of which may materially affect the financial or operating performance of the joint operations for the next reporting period.

	<b>2006</b>	2005
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating Statement</b>		
Share of joint venture revenues in operating revenues	<b>204</b>	164
Share of joint venture costs in operating expenses	<b>201</b>	181
<b>Net Contribution</b>	<u><b>3</b></u>	<u><b>-17</b></u>
<b>Statement of Financial Position</b>		
Current Assets	<b>49</b>	61
Non-Current Assets	<b>50</b>	33
Share of Assets employed in Joint Ventures	<u><b>99</b></u>	<u><b>94</b></u>
Current Liabilities	<b>7</b>	2
Non-Current Liabilities	<b>0</b>	3
Share of Liabilities incurred in Joint Ventures	<u><b>7</b></u>	<u><b>5</b></u>
<b>NET INTEREST IN JOINT VENTURES</b>	<u><b>92</b></u>	<u><b>89</b></u>

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 20 - ASSET REVALUATION RESERVE

	2006 \$'000	2005 \$'000
<b>Infrastructure, Property, Plant &amp; Equipment</b>		
Balance at beginning of reporting period	-	-
Add: Revaluation increments transferred to the reserve relating to:		
Land		
- Council owned (freehold)		
- Council controlled		
etc		
(here list each asset class affected)		
Subtotal	-	-
Less: Revaluation decrements transferred from the reserve relating to:		
Land		
- Council owned (freehold)		
- Council controlled		
etc		
(here list each asset class affected)		
Less: Transfer to Accumulated Surplus on disposal of revalued asset		
Subtotal	-	-
<b>Balance at end of reporting period</b>	-	-
Revaluation decrements expensed (Note 3) related to:		
Land		
- Council owned (freehold)		
- Council controlled		
etc		
(here list each asset class affected)		
Subtotal	-	-
Revaluation decrements previously expensed, now recouped (Note 4)		
Land		
- Council owned (freehold)		
- Council controlled		
etc		
(here list each asset class affected)		
Subtotal	-	-
<b>Available-for Sale Financial Assets</b>		
Balance at beginning of reporting period	-	-
Add: Revaluation increments transferred to the reserve		
Less: Revaluation decrements transferred from the		
Less: Transfer to Accumulated Surplus on disposal		
<b>Balance at end of reporting period</b>	-	-

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### for the year ended 30th June 2006

#### NOTE 21 - EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

**(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) TO EQUITY UNDER Australian Equivalents to IFRS (AIFRS)**

**(a) At the date of transition to AIFRS: 1 July, 2004**

	<u>Notes</u>	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
<b>CURRENT ASSETS</b>				
Cash & cash equivalents		4,298		4,298
Investments		14,918		14,918
Receivables		2,386		2,386
Inventories		97		97
Other		120		120
<b>TOTAL CURRENT ASSETS</b>		<b>21,819</b>	-	<b>21,819</b>
<b>NON-CURRENT ASSETS</b>				
Investments		10,000		10,000
Receivables		92		92
Investments accounted for using the equity method		106		106
Infrastructure, Property, Plant & Equipment		2,006,918		2,006,918
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,017,116</b>	-	<b>2,017,116</b>
<b>TOTAL ASSETS</b>		<b>2,038,935</b>	-	<b>2,038,935</b>
<b>CURRENT LIABILITIES</b>				
Payables	1	4,478	2,326	6,804
Borrowings		358		358
Provisions	2	2,243	3,984	6,227
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,079</b>	<b>6,310</b>	<b>13,389</b>
<b>NON-CURRENT LIABILITIES</b>				
Payables	3	3,055	(2,326)	729
Borrowings		6,289		6,289
Provisions	4	4,487	(3,984)	503
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>13,831</b>	<b>(6,310)</b>	<b>7,521</b>
<b>TOTAL LIABILITIES</b>		<b>20,910</b>	-	<b>20,910</b>
<b>NET ASSETS</b>		<b>2,018,025</b>	-	<b>2,018,025</b>
<b>EQUITY</b>				
Retained Earnings		2,018,025		2,018,025
Asset Revaluation Reserve		-		-
Other Reserves		-		-
<b>Council Equity Interest</b>		<b>2,018,025</b>	-	<b>2,018,025</b>
Minority Equity Interest		-	-	-
<b>TOTAL EQUITY</b>		<b>2,018,025</b>	-	<b>2,018,025</b>

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### for the year ended 30th June 2006

#### NOTE 21 - EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

Notes to the Reconciliation \$'000 \$'000

#### 1. Payables (Current)

Increased by \$2,326,000 being the transfer of Deposits and Retentions from non-current to current.

DR Non-current Payables	2,326	
CR Current Payables		2,326

#### 2. Provisions (Current)

Increased by \$3,984,000 being the transfer of Employees Leave Entitlements (ELE) from non-current to current representing the requirement to show liabilities as current where there is no unconditional right to defer beyond 12 months.

DR Non-current Provisions -ELE	3,984	
CR Current Provisions-ELE		3,984

#### 3. Payables (Non Current)

Reduced by \$2,326,000 due to the change in definitions described in 1 above

#### 4. Provisions (Non-current)

Reduced by \$3,984,000 due to the change in definitions described in 2 above.



# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### for the year ended 30th June 2006

#### NOTE 21 - EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
<b>CURRENT ASSETS</b>				
Cash & cash equivalents		3,467		3,467
Investments		33,963		33,963
Receivables		2,578		2,578
Inventories		122		122
Other		153		153
Non-current assets held for sale				
<b>TOTAL CURRENT ASSETS</b>		<b>40,283</b>	-	<b>40,283</b>
<b>NON-CURRENT ASSETS</b>				
Investments		-		-
Receivables		42		42
Inventories		-		-
Investments accounted for using the equity method		89		89
Inventories		-		-
Infrastructure, Property, Plant & Equipment		2,007,302		2,007,302
Investment Property		-		-
Intangible Assets		-		-
Other		-		-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,007,433</b>	-	<b>2,007,433</b>
<b>TOTAL ASSETS</b>		<b>2,047,716</b>	-	<b>2,047,716</b>
<b>CURRENT LIABILITIES</b>				
Payables	1	3,900	3,026	6,926
Borrowings		1,008		1,008
Provisions	2	2,490	4,187	6,677
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,398</b>	<b>7,213</b>	<b>14,611</b>
<b>NON-CURRENT LIABILITIES</b>				
Payables	3	4,063	(3,026)	1,037
Borrowings		5,281		5,281
Provisions	4	4,851	(4,187)	664
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>14,195</b>	<b>(7,213)</b>	<b>6,982</b>
<b>TOTAL LIABILITIES</b>		<b>21,593</b>	-	<b>21,593</b>
<b>NET ASSETS</b>		<b>2,026,123</b>	-	<b>2,026,123</b>
<b>EQUITY</b>				
Retained Earnings		2,026,123		2,026,123
Asset Revaluation Reserve				
Other Reserves				
<b>Council Equity Interest</b>		<b>2,026,123</b>	-	<b>2,026,123</b>
<b>TOTAL EQUITY</b>		<b>2,026,123</b>	-	<b>2,026,123</b>

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### for the year ended 30th June 2006

#### NOTE 21 - EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS

Notes to the Reconciliation	\$'000	\$'000
<b>1. Payables (Current)</b>		
Increased by \$3,026,000 being the transfer of Deposits and Retentions from non-current to current		
DR Non-current Payables	3,026	
CR Current Payables		3,026
<b>2. Provisions (Current)</b>		
(a) Increased by \$3,984,000 being the transfer of Employees Leave Entitlements (ELE) from non-current to current representing the requirement to show liabilities as current where there is no unconditional right to defer beyond 12 months.		
DR Non-current Provisions -ELE	3,984	
CR Current Provisions-ELE		3,984
(b) Further increased by \$203,000 being the transfer of Employee leave Entitlements (ELE) for the 12 month period to 30th June 2005, from non-current to current as in (a) above:		
DR Non-current Provisions -ELE	203	
CR Current Provisions-ELE		203
<b>3. Payables (Non Current)</b>		
Reduced by \$3,026,000 due to the change in definitions described in 1 above		
<b>4. Provisions (Non-current)</b>		
Reduced by \$4,187,000 due to the change in definitions described in 2 above.		

# Willoughby City Council

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### for the year ended 30th June 2006

#### NOTE 21 - EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS Adjustments on transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 financial Instruments: Recognition and Measurement: 1 July 2005

	Notes	30-Jun-05 \$'000	Adjustment \$'000	1 July 2005 \$'000
<b>CURRENT ASSETS</b>				
Cash & cash equivalents				
Investments	1	33,963	81	34,044
Receivables				
Inventories - realisable < 12 months				
Inventories - realisable > 12 months				
Other				
Non-current assets held for sale				
<b>TOTAL CURRENT ASSETS</b>		-	-	-
<b>NON-CURRENT ASSETS</b>				
Investments				
Receivables				
Inventories				
Investments accounted for using the equity method				
Inventories				
Infrastructure, Property, Plant & Equipment				
Investment Property				
Intangible Assets				
Other				-
<b>TOTAL NON-CURRENT ASSETS</b>		-	-	-
<b>TOTAL ASSETS</b>		-	-	-
<b>CURRENT LIABILITIES</b>				
Payables				
Borrowings				
Provisions - payable < 12 months				
Provisions - payable > 12 months				
<b>TOTAL CURRENT LIABILITIES</b>		-	-	-
<b>NON-CURRENT LIABILITIES</b>				
Payables				
Borrowings				
Provisions				
<b>TOTAL NON CURRENT LIABILITIES</b>		-	-	-
<b>TOTAL LIABILITIES</b>		-	-	-
<b>NET ASSETS</b>				
<b>EQUITY</b>				
Retained Earnings	1	2,026,123	81	2,026,204
Asset Revaluation Reserve				
Other Reserves				
<b>Council Equity Interest</b>		2,026,123	81	2,026,204
Minority Equity Interest				
<b>TOTAL EQUITY</b>		2,026,123	81	2,026,204

#### 1 Investments Current

Increased by \$81,000 being the revaluation of "financial assets at fair value through P&L from their carrying value to fair value on transition to AASB 132 and AASB 139.

# WILLOUGHBY CITY COUNCIL

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

### Note 22 - Non-current assets classified as held for resale

	2006 \$'000	2005 \$'000
	<u>Current</u>	<u>Current</u>
Land	13,879	-
Buildings	213	-
Carparks	969	-
	<u>15,061</u>	-

Council has a number of carparks as well as a dwelling that it proposes to dispose of in the next twelve months.  
This land and buildings are currently available for sale and are actively being marketed by a number of local real estate agents.

**Willoughby City Council**  
**Independent Audit Report to the Council**  
**(Sections 417(2) – report on the general purpose financial reports)**

## Scope

We have audited the financial reports of **Willoughby City Council** for the financial year ended 30 June 2006 as set out on pages 1 to 45. The financial reports consist of the general purpose financial reports and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit 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.
- b) The Council's financial reports
  - i. Have been properly prepared 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 and the results of its operations; and
  - iv. are in accordance with applicable Accounting Standards.
- c) All information relevant to the conduct of the audit has been obtained.
- d) There are no material deficiencies in the accounting records or financial reports that have come to light during the course of the audit.

  
PricewaterhouseCoopers  
Chartered Accountants

JA Gordon  
Sydney 2006, 27 October.

The Mayor  
Councillor P Reilly  
Willoughby City Council  
DX 29596  
CHATSWOOD NSW

Dear Councillor Reilly

**REPORT ON THE CONDUCT OF THE AUDIT FOR  
YEAR ENDED 30 JUNE 2006 - SECTION 417(3)**

We have completed our audit of the financial reports of Willoughby City Council for the year ended 30 June 2006, in accordance with Section 415 of the Local Government Act, 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cashflows.

The financial reports were completed and audited within four months of the end of the financial period as required by Section 416(1) of the Local Government Act, 1993.

Flowing from our audit there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

**Operating Result**

Council's operating surplus fell from \$8.1M in the previous year to \$4.0M. The major factor which contributed to this reduction was:

- Lower profit on asset sales (down \$4.2M).

