

Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"...the vital hub of the region, where residential, commercial,
cultural and environmental interests are respected and balanced,
and our communities enjoy a diversity of lifestyles."



Willoughby City Council

General Purpose Financial Statements for the year ended 30 June 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 11 October 2016. Council has the power to amend and reissue these financial statements.
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Willoughby City Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

Willoughby City Council

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

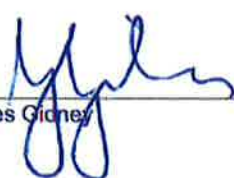
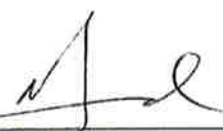
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 10 October 2016.


Gail Giles Oidney
Mayor
Michelle Sloane
Councillor
Debra Just
General Manager
Mark McDonald
Responsible Accounting Officer

Willoughby City Council

Income Statement

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
60,854	Rates and annual charges	3a	60,944	57,288
18,143	User charges and fees	3b	19,056	18,515
2,215	Interest and investment revenue	3c	3,293	2,812
17,790	Other revenues	3d	21,777	20,410
5,806	Grants and contributions provided for operating purposes	3e,f	7,251	7,085
5,800	Grants and contributions provided for capital purposes	3e,f	22,394	12,829
Other income:				
181	Net gains from the disposal of assets	5	307	158
110,789	Total income from continuing operations		135,022	119,097
Expenses from continuing operations				
41,818	Employee benefits and on-costs	4a	39,794	40,539
2,215	Borrowing costs	4b	2,590	2,943
33,932	Materials and contracts	4c	32,250	31,085
12,170	Depreciation and amortisation	4d	11,724	10,551
—	Impairment	4d	—	—
14,215	Other expenses	4e	13,106	13,065
5	Net share of interests in joint ventures and associates using the equity method	19	22	5
104,355	Total expenses from continuing operations		99,486	98,188
6,434	Operating result from continuing operations		35,536	20,909
Discontinued operations				
—	Net profit/(loss) from discontinued operations	24	—	—
6,434	Net operating result for the year		35,536	20,909
6,434	Net operating result attributable to Council		35,536	20,909
—	Net operating result attributable to non-controlling interests		—	—
634	Net operating result for the year before grants and contributions provided for capital purposes		13,142	8,080

¹ Original budget as approved by Council – refer Note 16

Willoughby City Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		35,536	20,909
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	675,952	13,889
Adjustment to correct prior period errors	20 (c)	(901)	–
Total items which will not be reclassified subsequently to the operating result		675,051	13,889
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		675,051	13,889
Total comprehensive income for the year		710,587	34,798
Total comprehensive income attributable to Council		710,587	34,798
Total comprehensive income attributable to non-controlling interests		–	–

Willoughby City Council

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	7,326	6,250
Investments	6b	94,964	78,847
Receivables	7	4,979	4,813
Inventories	8	24	24
Other	8	406	493
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		107,699	90,427
Non-current assets			
Investments	6b	1,994	5,015
Receivables	7	37	36
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	3,458,866	2,768,309
Investments accounted for using the equity method	19	34	56
Investment property	14	70,885	67,717
Intangible assets	25	—	—
Total non-current assets		3,531,816	2,841,133
TOTAL ASSETS		3,639,515	2,931,560
LIABILITIES			
Current liabilities			
Payables	10	18,114	16,948
Borrowings	10	2,980	3,859
Provisions	10	10,412	11,060
Total current liabilities		31,506	31,867
Non-current liabilities			
Payables	10	—	—
Borrowings	10	43,479	45,736
Provisions	10	374	388
Total non-current liabilities		43,853	46,124
TOTAL LIABILITIES		75,359	77,991
Net assets		3,564,156	2,853,569
EQUITY			
Retained earnings	20	2,494,055	2,459,420
Revaluation reserves	20	1,070,101	394,149
Council equity interest		3,564,156	2,853,569
Non-controlling equity interests		—	—
Total equity		3,564,156	2,853,569

Willoughby City Council

Statement of Changes in Equity
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		2,459,420	394,149	2,853,569	–	2,853,569
a. Correction of prior period errors	20 (c)	(901)	–	(901)	–	(901)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		2,458,519	394,149	2,852,668	–	2,852,668
c. Net operating result for the year		35,536	–	35,536	–	35,536
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	675,952	675,952	–	675,952
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	675,952	675,952	–	675,952
Total comprehensive income (c&d)		35,536	675,952	711,488	–	711,488
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		2,494,055	1,070,101	3,564,156	–	3,564,156

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		2,438,511	380,260	2,818,771	–	2,818,771
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		2,438,511	380,260	2,818,771	–	2,818,771
c. Net operating result for the year		20,909	–	20,909	–	20,909
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	13,889	13,889	–	13,889
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
Other comprehensive income		–	13,889	13,889	–	13,889
Total comprehensive income (c&d)		20,909	13,889	34,798	–	34,798
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		2,459,420	394,149	2,853,569	–	2,853,569

This statement should be read in conjunction with the accompanying notes.

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Willoughby City Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
60,805	Rates and annual charges		60,941	57,254
18,452	User charges and fees		20,001	19,062
2,215	Investment and interest revenue received		3,038	2,638
11,606	Grants and contributions		20,325	20,414
–	Bonds, deposits and retention amounts received		3,769	2,042
17,790	Other		23,152	22,602
Payments:				
(41,333)	Employee benefits and on-costs		(40,501)	(40,461)
(32,744)	Materials and contracts		(34,521)	(32,248)
(2,215)	Borrowing costs		(1,904)	(2,240)
–	Bonds, deposits and retention amounts refunded		(2,186)	(1,030)
(14,215)	Other		(16,647)	(14,737)
20,361	Net cash provided (or used in) operating activities	11b	35,467	33,296
Cash flows from investing activities				
Receipts:				
9,198	Sale of investment securities		32,000	38,500
432	Sale of infrastructure, property, plant and equipment		391	224
Payments:				
–	Purchase of investment securities		(45,112)	(57,586)
–	Purchase of investment property		(107)	(662)
(18,673)	Purchase of infrastructure, property, plant and equipment		(17,704)	(10,515)
(9,043)	Net cash provided (or used in) investing activities		(30,532)	(30,039)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(3,809)	Repayment of borrowings and advances		(3,859)	(3,695)
(3,809)	Net cash flow provided (used in) financing activities		(3,859)	(3,695)
7,509	Net increase/(decrease) in cash and cash equivalents		1,076	(438)
6,250	Plus: cash and cash equivalents – beginning of year	11a	6,250	6,688
13,759	Cash and cash equivalents – end of the year	11a	7,326	6,250
Additional Information:				
	plus: Investments on hand – end of year	6b	96,958	83,862
Total cash, cash equivalents and investments			104,284	90,112

Please refer to Note 11 for additional cash flow information

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

(b) Revenue recognition

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

Council bases any estimates on historical results, taking into consideration the type of customer, the

type of transaction and the specifics of each arrangement.

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

The following entities have been included as part of the consolidated fund:

- *General Purpose Operations*

(ii) The trust fund

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

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

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

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

The only transactions currently appearing in the Trust Fund relate to 2 x Cy Pres Scheme's (see Note 6(c)).

(iii) Joint arrangements

Council has no interest in any joint arrangements.

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in associates can be found at Note 19 (b).

County councils

Council is not a member of any county councils.

(d) Leases

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

Finance leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

- cash on hand,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

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

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

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

single event that is unusual and highly unlikely to recur in the near term.

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Types of investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council held are no longer prescribed (eg. managed funds, CDOs, and equity linked notes) and as a result no longer holds any of these types of investments.

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same

instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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

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

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

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

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(i) Inventories

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

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

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

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

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

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

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

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

- **Investment properties** – refer Note 1(p),
- **Operational land** (External valuation)
- **Buildings – specialised/non-specialised** (External valuation)
- **Plant and equipment** (as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (Internal valuation)
- **Drainage assets** (Internal valuation)
- **Bulk earthworks** (Internal valuation)
- **Community land** (External valuation)
- **Land improvements** (Internal valuation)
- **Other structures** (as approximated by depreciated historical cost)
- **Open space/recreational assets including swimming pools, parks, playgrounds and sporting fields** (Internal Valuation)
- **Other assets – Library books** (as approximated by depreciated historical cost)

Initial recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Asset revaluations (including indexation)

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ

materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation thresholds

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

Land	
- Council land	100% Capitalised
- Open space	100% Capitalised
- Land under roads (purchases after 30/6/08)	100% Capitalised

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

Buildings & Land Improvements	
Park Furniture & Equipment	100% Capitalised
Building	
- Construction/extensions	100% Capitalised
- Renovations	100% Capitalised
Other Structures	100% Capitalised

Stormwater Assets	
Drains & Culverts	100% Capitalised
Other	100% Capitalised

Transport Assets	
Road construction & reconstruction	>\$15,000 Capitalised
Reseal/Re-sheet & major repairs:	>\$5,000 Capitalised
Bridge construction & reconstruction	>\$10,000 Capitalised
Footpath construction & reconstruction	>\$5,000 Capitalised
K&G construction & reconstruction	>\$5,000 Capitalised

Other Infrastructure Assets	
Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	100% Capitalised
Other Infrastructure	> \$10,000

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Depreciation

Depreciation on Council's infrastructure and buildings is based on the consumption of the asset over its useful life. Plant and equipment, office equipment and furniture and fittings are calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

- Office Equipment	5 to 10 years
- Furniture & Fittings	5 to 20 years
- Computer Equipment	5 years
- Vehicles & Plant	5 years
- Plant & Equipment	5 to 20 years

Buildings

- Envelope	40 to 150 years
- Roof	40 to 90 years
- Floors	60 to 150 years
- Floor coverings	15 to 80 years
- Internal fit-out	20 to 45 years
- Mechanical	25 to 35 years
- Transportation	25 years
- Fire protection	40 years

Stormwater Drainage

- Drains	40 - 150 years
- Culverts	100 -150 years

Transportation Assets

- Sealed Roads: Surface	25-40 years
- Sealed Roads: Pavement	100 years
- Major Bridges	15-100 years
- Major Culverts	20 to 50 years
- Minor Structures	10-60 years
- Kerb & Gutter Concrete	100 years
- Footpaths Concrete	80 years
- Footpaths Bitumen	25 years

Land Improvements	5 to 50 years
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Other Structures	10 to 100 years
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Open Space/Recreational Assets

- Playground Equipment	15-20 years
- Park Furniture & Equipment	10-20 years
- Playing Surfaces	40-100 years
- Natural Assets (garden beds/turf)	10-100 years

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

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

Assets that were previously included as Other Assets - Other have been transferred to Plant & Equipment, Office Equipment, Furniture & Fittings, Specialised Buildings and Other Structures as part of the Fair Valuation process for 30th June 2016 and are shown in Note 9(a) as Adjustments and Transfers.

Disposal and De recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the assets, their values and depreciation charges from these financial statements.

(p) Investment property

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

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

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

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

The last full revaluation for Council's investment properties was dated 30 June 2016.

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

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(r) Impairment of assets

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

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

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

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

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

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

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(u) Borrowing costs

Borrowing costs are expensed.

(v) Provisions

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

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(w) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$728,586.

The amount of additional contributions included in the total employer contribution advised above is \$382,045.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$562,894 as at 30 June 2015 when last valued.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(x) Self-insurance

Council does not self-insure.

(y) Allocation between current and non-current assets and liabilities

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

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

Exceptions

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

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(z) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

(aa) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

AASB 9 – Financial Instruments

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

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

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

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

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

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

(ab) Rounding of amounts

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

(ac) Comparative figures

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

(ad) Disclaimer

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).											
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2015
Governance	21	400	13	1,658	1,981	1,480	(1,637)	(1,581)	(1,467)	–	73	901
Administration	2,503	5,456	7,387	22,266	22,373	21,524	(19,763)	(16,917)	(14,137)	92	166	247,932
Public order and safety	5,228	5,381	5,002	3,456	4,566	4,506	1,772	815	496	–	–	1,987
Health	405	193	678	545	227	891	(140)	(34)	(213)	–	–	1,627
Environment	15,179	15,677	15,517	19,965	17,949	17,661	(4,786)	(2,272)	(2,144)	148	185	83,916
Community services and education	6,107	5,805	6,118	7,824	6,942	7,686	(1,717)	(1,137)	(1,568)	2,416	2,695	11,579
Housing and community amenities	2,971	18,850	8,583	6,900	5,596	6,224	(3,929)	13,254	2,359	734	191	32,765
Recreation and culture	7,892	10,523	10,806	24,774	26,507	25,498	(16,882)	(15,984)	(14,692)	311	306	2,011,266
Mining, manufacturing and construction	394	433	408	1,411	1,185	1,294	(1,017)	(752)	(886)	–	–	–
Transport and communication	10,030	12,344	11,698	14,391	11,261	10,161	(4,361)	1,083	1,537	797	329	405,610
Economic affairs	9,301	9,864	5,733	1,160	877	1,258	8,141	8,987	4,475	–	–	133,921
Total functions and activities	60,031	84,926	71,943	104,350	99,464	98,183	(44,319)	(14,538)	(26,240)	4,498	3,945	2,931,504
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	5	22	5	(5)	(22)	(5)	–	–	56
General purpose income ¹	50,758	50,096	47,154	–	–	–	50,758	50,096	47,154	2,269	2,277	–
Operating result from continuing operations	110,789	135,022	119,097	104,355	99,486	98,188	6,434	35,536	20,909	6,767	6,222	2,931,560

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		26,064	24,133
Business		19,599	18,334
Total ordinary rates		45,663	42,467
Special rates			
Stormwater management levy		680	622
Total special rates		680	622
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		14,601	14,199
Total annual charges		14,601	14,199
TOTAL RATES AND ANNUAL CHARGES		60,944	57,288
Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		273	269
Total user charges		273	269
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		2,210	2,167
Section 611 charges		73	67
Total fees and charges – statutory/regulatory		2,283	2,234
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Building related		1,921	2,337
Child care		2,155	2,313
Community services		1,880	1,860
Leisure centre		2,939	2,796
Parking fees		6,108	4,912
Restoration charges		717	925
Other		780	869
Total fees and charges – other		16,500	16,012
TOTAL USER CHARGES AND FEES		19,056	18,515

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		38	44
– Interest earned on investments (interest and coupon payment income)		2,884	2,740
– Receipt of Investment Principal previously written off		387	–
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		(16)	28
TOTAL INTEREST AND INVESTMENT REVENUE		3,293	2,812
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		38	44
General Council cash and investments		1,678	2,111
Restricted investments/funds – external:			
Development contributions			
– Section 94		447	180
Site 1 - Cy Pres Scheme		164	189
Site 2 - Cy Pres Scheme		29	33
Other externally restricted assets		489	–
Restricted investments/funds – internal:			
Internally restricted assets		448	255
Total interest and investment revenue recognised		3,293	2,812
(d) Other revenues			
Fair value increments – investment properties	14	3,061	2,152
Rental income – investment properties	14	5,118	4,877
Rental income – other council properties		6,161	6,099
Fines		5,100	4,735
Legal fees recovery – rates and charges (extra charges)		47	63
Legal fees recovery – other		79	51
Arts and culture		16	24
Commissions and agency fees		4	4
Community development		219	66
Council property		366	257
General administration		62	66
Insurance claim recoveries		82	128
Library services		40	37
Melody markets		455	503
Merchant fee recovery		89	88
Orchestra and choir		13	21
Sale of abandoned vehicles		19	10
Sales – general		42	69
Services recovery		32	108
Sponsorship		585	736
Street fair		40	60
Other		147	256
TOTAL OTHER REVENUE		21,777	20,410

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	1,504	1,512	–	–
Financial assistance – local roads component	566	572	–	–
Pensioners' rates subsidies – general component	199	193	–	–
Total general purpose	2,269	2,277	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	81	89	–	–
Community care	2,416	2,695	–	–
Environment	–	185	–	–
Library – per capita	137	135	–	–
LIRS subsidy	67	73	–	–
Recreation and culture	94	151	80	20
Street lighting	191	191	–	–
Traffic route subsidy	27	24	–	–
Transport (roads to recovery)	770	282	–	–
Transport (other roads and bridges funding)	–	23	–	–
Housing and Community	543	–	–	–
Other	92	77	–	–
Total specific purpose	4,418	3,925	80	20
Total grants	6,687	6,202	80	20
Grant revenue is attributable to:				
– Commonwealth funding	3,043	2,790	–	20
– State funding	3,203	3,256	80	–
– Other funding	441	156	–	–
	6,687	6,202	80	20

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	5,592	–
S 94 – contributions towards amenities/services	–	–	3,870	6,961
Total developer contributions	17	–	9,462	6,961
Other contributions:				
Community services	10	15	–	–
Environment	2	455	–	–
Housing and community amenities	–	–	10,191	5,848
Other councils – joint works/services	33	35	–	–
Recreation and culture	10	9	2,661	–
RMS contributions (regional roads, block grant)	509	369	–	–
Total other contributions	564	883	12,852	5,848
Total contributions	564	883	22,314	12,809
TOTAL GRANTS AND CONTRIBUTIONS	7,251	7,085	22,394	12,829

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	16,082	13,546
Add: grants and contributions recognised in the current period but not yet spent:	12,327	7,513
Less: grants and contributions recognised in a previous reporting period now spent:	(6,693)	(4,977)
Net increase (decrease) in restricted assets during the period	5,634	2,536
Unexpended and held as restricted assets	21,716	16,082
Comprising:		
– Specific purpose unexpended grants	522	573
– Developer contributions	21,176	15,500
– Other contributions	18	9
	21,716	16,082

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		30,412	30,430
Travel expenses		42	48
Employee leave entitlements (ELE)		4,584	4,862
Superannuation		3,534	3,637
Workers' compensation insurance		723	1,035
Fringe benefit tax (FBT)		355	380
Training costs (other than salaries and wages)		337	260
Other		39	64
Total employee costs		40,026	40,716
Less: capitalised costs		(232)	(177)
TOTAL EMPLOYEE COSTS EXPENSED		39,794	40,539
Number of 'full-time equivalent' employees (FTE) at year end		366	395
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,867	2,224
Total interest bearing liability costs expensed		1,867	2,224
(ii) Other borrowing costs			
Fair value adjustment on loans (to Council)		723	719
Total other borrowing costs		723	719
TOTAL BORROWING COSTS EXPENSED		2,590	2,943

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		2,740	3,198
Contractor and consultancy costs			
– Consultancy costs (assorted)		2,172	1,408
– Cleaning		894	883
– Waste Collection		4,511	4,405
– Equipment Maintenance		644	633
– Security Services		254	321
– Pay and Display Machine Maintenance		262	290
– Waste Disposal		6,010	5,573
– Management Fees		393	457
– Agency Personnel		965	854
– Open Space		1,693	1,560
– Infrastructure Works		1,664	1,325
– Street Cleaning		379	154
– Property Services		2,950	2,887
– Engineering Services		508	601
– Plant		151	168
– Environmental Services		1,613	1,521
– Events		553	374
– Concourse Urban Screen		173	382
– Willoughby Leisure Centre		323	424
– Chatswood Mall		135	153
– Other		1,389	1,588
Auditors remuneration ⁽¹⁾		56	51
Audit committee fees		5	4
Legal expenses:			
– Legal expenses: planning and development		636	634
– Legal expenses: other		484	419
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		343	425
Other		350	393
TOTAL MATERIALS AND CONTRACTS		32,250	31,085

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		53	51
– Other audit and assurance services		3	–
Remuneration for audit and other assurance services		56	51
Total Auditor remuneration		56	51
2. Operating lease payments are attributable to:			
Computers		227	286
Other		116	139
		343	425

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment	—	—	1,013	749
Office equipment	—	—	237	233
Furniture and fittings	—	—	160	60
Land improvements (depreciable)	—	—	30	116
Infrastructure:				
– Buildings – non-specialised	—	—	53	53
– Buildings – specialised	—	—	1,964	1,431
– Other structures	—	—	383	312
– Roads	—	—	2,745	2,242
– Bridges	—	—	417	414
– Footpaths	—	—	950	803
– Stormwater drainage	—	—	1,199	1,265
– Swimming pools	—	—	47	47
– Other open space/recreational assets	—	—	1,993	1,710
Other assets				
– Library books	—	—	533	540
– Other	—	—	—	576
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED			11,724	10,551

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Advertising		453	460
Bad and doubtful debts		103	123
Bank charges		299	260
Child care assistance fee relief		661	607
Commissions and agency fees		658	571
Computer operating expenses		1,275	917
Concourse venue management		686	737
Contributions/levies to other levels of government			
– EPA levy		226	220
– NSW Fire Brigade levy		1,523	1,421
– Parking space levy		421	388
Councillor expenses – mayoral fee		61	61
Councillor expenses – councillors' fees		297	297
Councillors' expenses (incl. mayor) – other (excluding fees above)		8	32
Donations, contributions and assistance to other organisations (Section 356)		265	359
Electricity and heating		1,212	1,315
Events and community projects		53	134
Insurance		1,817	1,846
Orchestra costs		119	94
Planning reform fees		105	232
Street lighting		992	1,092
Subscriptions and publications		169	142
Telephone and communications		394	480
Valuation fees		110	110
Vehicle registrations		114	119
Water rates and other services		456	419
Other		629	629
<u>TOTAL OTHER EXPENSES</u>		<u>13,106</u>	<u>13,065</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		391	224
Less: carrying amount of plant and equipment assets sold/written off		(84)	(66)
Net gain/(loss) on disposal		<u>307</u>	<u>158</u>
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		32,000	38,500
Less: carrying amount of financial assets sold/redeemed/matured		(32,000)	(38,500)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>307</u>	<u>158</u>

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		153	–	66	–
Cash-equivalent assets ¹					
– Deposits at call		6,173	–	6,184	–
– Short-term deposits		1,000	–	–	–
Total cash and cash equivalents		7,326	–	6,250	–
Investments (Note 6b)					
– Long term deposits		92,959	–	78,847	–
– NCD's, FRN's (with maturities > 3 months)		2,005	1,994	–	5,015
Total investments		94,964	1,994	78,847	5,015
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		102,290	1,994	85,097	5,015

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		7,326	–	6,250	–
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Investments

a. 'At fair value through the profit and loss'					
– 'Designated at fair value on initial recognition'	6(b-i)	2,005	1,994	–	5,015
b. 'Held to maturity'	6(b-ii)	92,959	–	78,847	–
Investments		94,964	1,994	78,847	5,015

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

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	–	5,015	2,471	3,016
Revaluations (through the Income Statement)	–	(16)	29	(1)
Additions	–	–	–	2,000
Disposals (sales and redemptions)	–	(1,000)	(2,500)	–
Transfers between current/non-current	2,005	(2,005)	–	–
Balance at end of year	2,005	1,994	–	5,015
Comprising:				
– NCD's, FRN's (with maturities > 3 months)	2,005	1,994	–	5,015
Total	2,005	1,994	–	5,015
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at the beginning of the year	78,847	–	59,261	–
Additions	45,112	–	55,586	–
Disposals (sales and redemptions)	(31,000)	–	(36,000)	–
Balance at end of year	92,959	–	78,847	–
Comprising:				
– Long term deposits	92,959	–	78,847	–
Total	92,959	–	78,847	–

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Total cash, cash equivalents and investments	102,290	1,994	85,097	5,015
attributable to:				
External restrictions (refer below)	41,752	1,994	27,963	5,015
Internal restrictions (refer below)	49,122	–	44,666	–
Unrestricted	11,416	–	12,468	–
	102,290	1,994	85,097	5,015

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	156	298	(414)	40
External restrictions – included in liabilities	156	298	(414)	40

External restrictions – other

Developer contributions – general (B)	15,500	10,081	(4,405)	21,176
RMS (formerly RTA) contributions (C)	9	16	(7)	18
Specific purpose unexpended grants (D)	573	–	(51)	522
Domestic waste management (E)	3,041	1,886	(477)	4,450
Site 1 – CY Pres Scheme (F)	5,460	164	(9)	5,615
Site 2 – CY Pres Scheme (F)	960	29	–	989
Affordable housing (G)	7,279	3,618	(20)	10,877
Infrastructure Levy Reserve (H)	–	59	–	59
External restrictions – other	32,822	15,853	(4,969)	43,706
Total external restrictions	32,978	16,151	(5,383)	43,746

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- D Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- E Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.
- F Trust scheme monies to be allocated to appropriate Open Space and Recreational projects.
- G Monies for allocation in line with Council's Affordable Housing Plan
- H Monies for allocation to infrastructure projects tied to Council's Infrastructure Levy Project.

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,999	850	–	2,849
Employees leave entitlement	2,248	–	–	2,248
Carry over works	1,096	1,337	(1,096)	1,337
Artarmon redevelopment	62	–	–	62
Asset improvement	2,661	549	(1,719)	1,491
Car park management	93	516	–	609
CBD property	750	–	–	750
CBD event activities	223	–	–	223
Community facilities	20	–	–	20
Depot	2,917	629	(1,366)	2,180
Election	100	50	–	150
Employee overheads	898	–	–	898
Environmental development plan	2,147	998	(84)	3,061
Information technology	797	–	(567)	230
Innovation	2,756	1,397	(3,132)	1,021
Insurance claims	179	–	–	179
Open space	4,037	3	(3,933)	107
Paid parking	855	541	–	1,396
Property plan	5,035	1,239	(411)	5,863
Regency leisure centre lease	2,638	344	–	2,982
Repair to damage-road and footway	687	250	–	937
Stormwater management	30	–	(15)	15
Sustainability initiative	1,320	–	–	1,320
The Concourse	11,118	6,274	(5,284)	12,108
Flood Investigation	–	49	–	49
Willoughby Leisure and Recreational Projects	–	7,037	–	7,037
Total internal restrictions	44,666	22,063	(17,607)	49,122
TOTAL RESTRICTIONS	77,644	38,214	(22,990)	92,868

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		797	37	795	36
User charges and fees		2,129	–	2,108	–
Accrued revenues					
– Interest on investments		990	–	719	–
– Other income accruals		783	–	595	–
Amounts due from other councils		101	–	84	–
Government grants and subsidies		54	–	213	–
Net GST receivable		455	–	471	–
Other debtors		102	–	157	–
Total		5,411	37	5,142	36
Less: provision for impairment					
User charges and fees		(432)	–	(329)	–
Total provision for impairment – receivables		(432)	–	(329)	–
<u>TOTAL NET RECEIVABLES</u>		<u>4,979</u>	<u>37</u>	<u>4,813</u>	<u>36</u>
Externally restricted receivables					
Domestic waste management		493	–	348	–
Total external restrictions		493	–	348	–
Internally restricted receivables					
Nil					
Unrestricted receivables		4,486	37	4,465	36
TOTAL NET RECEIVABLES		4,979	37	4,813	36

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		24	—	24	—
Total inventories at cost		24	—	24	—
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>24</u>	<u>—</u>	<u>24</u>	<u>—</u>
(b) Other assets					
Prepayments		406	—	493	—
<u>TOTAL OTHER ASSETS</u>		<u>406</u>	<u>—</u>	<u>493</u>	<u>—</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures**Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

	as at 30/6/2015				Asset movements during the reporting period								as at 30/6/2016					
	At cost	At fair value	Accumulated depreciation		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Adjustments (Refer 20C)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated depreciation		Carrying value
			depreciation	impairment												depreciation	impairment	
\$ '000																		
Capital work in progress	1,482	—	—	1,482	2,940	151	—	—	—	(1,030)	—	—	—	3,543	—	—	—	3,543
Plant and equipment	—	6,939	5,198	1,741	—	897	(84)	(1,013)	104	3,699	—	—	—	—	11,345	6,001	5,344	
Office equipment	—	2,069	1,339	730	97	17	—	(237)	—	135	—	—	—	—	2,412	1,670	742	
Furniture and fittings	—	1,119	475	644	—	31	—	(160)	—	898	—	—	—	—	2,441	1,028	1,413	
Land:																		
— Operational land	—	366,454	—	366,454	—	3,670	—	—	—	1,054	—	—	—	—	371,178	—	371,178	
— Community land	—	1,722,825	—	1,722,825	—	—	—	—	—	(1,054)	—	649,819	—	—	2,371,590	—	2,371,590	
Land improvements – depreciable	—	2,410	663	1,747	159	53	—	(30)	—	—	—	88	—	—	2,203	186	2,017	
Infrastructure:																		
— Buildings – non-specialised	—	7,118	1,775	5,343	—	6,950	—	(53)	—	—	—	—	—	—	14,068	1,828	12,240	
— Buildings – specialised	—	285,056	10,601	274,455	1,058	819	—	(1,964)	—	318	—	—	—	—	287,022	12,336	274,686	
— Other structures	—	10,292	2,124	8,168	213	231	—	(383)	—	78	1,446	897	—	—	12,499	1,849	10,650	
— Roads	—	245,924	61,853	184,071	2,616	393	—	(2,745)	—	—	—	15,804	—	—	271,550	71,411	200,139	
— Bridges	—	11,368	1,463	9,905	1,107	—	—	(417)	108	—	—	532	—	—	10,428	1,540	8,888	
— Footpaths	—	61,715	9,040	52,675	1,585	210	—	(950)	—	—	—	6,485	—	—	70,645	10,640	60,005	
— Bulk earthworks (non-depreciable)	—	20,750	—	20,750	—	—	—	—	—	—	—	65	—	—	20,815	—	20,815	
— Stormwater drainage	—	115,075	31,194	83,881	1,318	193	—	(1,199)	—	—	—	1,142	—	—	116,795	31,460	85,335	
— Swimming pools	—	3,892	915	2,977	—	—	—	(47)	—	—	—	—	—	—	3,892	962	2,930	
— Other open space/recreational assets	—	34,213	10,294	23,919	1,554	613	—	(1,993)	818	—	—	1,120	—	—	37,720	11,689	26,031	
Other assets:																		
— Library books	—	7,775	6,361	1,414	—	439	—	(533)	—	—	(5,128)	—	—	—	8,213	6,893	1,320	
— Other	—	6,781	1,653	5,128	—	—	—	—	—	—	—	—	—	—	—	—	—	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,482	2,911,775	144,948	2,768,309	12,647	14,867	(84)	(11,724)	—	—	—	(901)	675,952	3,543	3,614,816	159,493	3,455,866	

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

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

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

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		7,758	–	7,304	–
Payments received in advance		774	–	918	–
Accrued expenses:					
– Borrowings		124	–	161	–
– Other expenditure accruals		29	–	721	–
Security bonds, deposits and retentions		9,160	–	7,577	–
Other		269	–	267	–
Total payables		18,114	–	16,948	–
Borrowings					
Loans – secured ¹		2,905	42,613	3,784	44,795
Deferred payment liabilities		75	866	75	941
Total borrowings		2,980	43,479	3,859	45,736
Provisions					
Employee benefits:					
Annual leave		2,681	–	3,034	–
Long service leave		6,947	228	7,171	222
Gratuities		–	110	–	109
ELE on-costs		690	–	742	13
Sub-total – aggregate employee benefits		10,318	338	10,947	344
Public liability claims		94	36	113	44
Total provisions		10,412	374	11,060	388
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>					
		31,506	43,853	31,867	46,124
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Domestic waste management		107	–	110	–
Other		1,000	–	2,000	–
Liabilities relating to externally restricted assets		1,107	–	2,110	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		1,107	–	2,110	–
Total liabilities relating to unrestricted assets		30,399	43,853	29,757	46,124
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		31,506	43,853	31,867	46,124

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	7,841	7,953
Payables – security bonds, deposits and retentions	7,216	6,236
	15,057	14,189

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	3,034	1,590	(1,943)	–	–	2,681
Long service leave	7,393	89	(307)	–	–	7,175
ELE on-costs	755	(65)	–	–	–	690
Gratuities	109	1	–	–	–	110
Other	157	(27)	–	–	–	130
TOTAL	11,448	1,588	(2,250)	–	–	10,786

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	7,326	6,250
Less bank overdraft	10	—	—
Balance as per the Statement of Cash Flows		7,326	6,250
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		35,536	20,909
Adjust for non-cash items:			
Depreciation and amortisation		11,724	10,551
Net losses/(gains) on disposal of assets		(307)	(158)
Non-cash capital grants and contributions		(9,610)	—
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		16	(28)
– Investment properties		(3,061)	(2,152)
– Fair valuation adjustment (re-measurement) of existing loans to Council		723	719
Share of net (profits) or losses of associates/joint ventures		22	5
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(270)	(221)
Increase/(decrease) in provision for doubtful debts		103	123
Decrease/(increase) in inventories		—	4
Decrease/(increase) in other assets		87	(102)
Increase/(decrease) in payables		454	1,451
Increase/(decrease) in accrued interest payable		(37)	(16)
Increase/(decrease) in other accrued expenses payable		(692)	690
Increase/(decrease) in other liabilities		1,441	1,329
Increase/(decrease) in employee leave entitlements		(635)	182
Increase/(decrease) in other provisions		(27)	10
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		35,467	33,296
(c) Non-cash investing and financing activities			
Contributed Assets - Land & Buildings		9,610	—
Total non-cash investing and financing activities		9,610	—
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		1,200	1,200
Total financing arrangements		1,200	1,200

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		337	789
Plant and equipment		379	395
Other Structures		6	25
Other Assets		2	20
Roads		122	34
Carparks		41	503
Drainage		13	167
Bridges		–	1,156
Swimming Pools		–	67
Open Space		1,736	3,733
Investment property			
– Buildings		–	74
Total commitments		2,636	6,963
These expenditures are payable as follows:			
Within the next year		2,636	6,963
Total payable		2,636	6,963
Sources for funding of capital commitments:			
Unrestricted general funds		670	519
Future grants and contributions		22	–
Sect 94 funds/reserves		156	1,287
Unexpended grants		56	26
Other Reserves		1,712	5,096
Other Revenue		20	35
Total sources of funding		2,636	6,963

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	275	318
Later than one year and not later than 5 years	444	453
Total non-cancellable operating lease commitments	719	771

b. Non-cancellable operating leases include the following assets:

Computer, Photocopier and printer Equipment

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 2015 2014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	9,812	8.98%	6.22%	11.81%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	109,276			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	102,025	77.49%	82.94%	81.98%
Total continuing operating revenue ⁽¹⁾	131,670			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	65,454	4.27x	3.99x	4.41x
Current liabilities less specific purpose liabilities ^(3, 4)	15,342			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	24,126	3.74x	3.01x	4.14x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,449			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	834	1.35%	1.43%	1.43%
Rates, annual and extra charges collectible	61,860			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	100,285	12.08 mths	10.8 mths	8.4 mths
Payments from cash flow of operating and financing activities	8,302			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

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

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 8.98%</p> <p>Council continues to trend positively against the Industry Benchmark of 0%.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 77.49%</p> <p>The Ratio compares adequately to the Industry Benchmark of 60%.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 4.27x</p> <p>Council continues to compare very well to the Industry Benchmark of 1.5:1</p>

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

<p>4. Debt service cover ratio</p> <p>Ratio (x)</p> <p>2013 2014 2015 2016</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.74x</p> <p>This indicator emphasises that Council's defined Operating Result maintains the capacity to meet its annual debt requirements, with the inclusion of additional Principal repayment on the ANZ Concourse linked loan. The 15/16 result exceeds the Industry Benchmark of 2.0.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Ratio %</p> <p>2013 2014 2015 2016</p> <p>Benchmark: — Maximum $< 5.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 1.35%</p> <p>The result can be linked to both capacity to pay and internal recovery policy. It compares very favourably to the Industry Benchmark of 5%.</p>
<p>6. Cash expense cover ratio</p> <p>Ratio (mths)</p> <p>2013 2014 2015 2016</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 12.08 mths</p> <p>Council's indicator compares very favourably to the Industry Benchmark of 3 months.</p>

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>70,885</u>	<u>67,717</u>
Reconciliation of annual movement:			
Opening balance		67,717	64,903
– Capitalised expenditure – this year		107	662
– Net gain/(loss) from fair value adjustments		3,061	2,152
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>70,885</u>	<u>67,717</u>

(b) Valuation basis

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

The 2016 revaluations were based on independent assessments made by:
Daniel Atherton - Registered Valuer B Bus (RE & Dev) GAPI - APV Valuers and Asset Management.

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements

Details of leased investment properties are as follows;

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	5,208	5,001
Later than 1 year but less than 5 years	13,256	14,325
Later than 5 years	11,125	10,792
Total minimum lease payments receivable	<u>29,589</u>	<u>30,118</u>

(e) Investment property income and expenditure – summary

Rental income from investment properties:		
– Minimum lease payments	5,118	4,877
Direct operating expenses on investment properties:		
– that did not generate rental income	(308)	(314)
Net revenue contribution from investment properties	<u>4,810</u>	<u>4,563</u>
plus:		
Fair value movement for year	<u>3,061</u>	<u>2,152</u>
Total income attributable to investment properties	<u>7,871</u>	<u>6,715</u>

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	7,326	6,250	7,326	6,250
Investments				
– 'Designated at fair value on initial recognition'	3,999	5,015	3,999	5,015
– 'Held to maturity'	92,959	78,847	92,959	78,847
Receivables	5,016	4,849	5,016	4,849
Total financial assets	109,300	94,961	109,300	94,961
Financial liabilities				
Payables	17,340	16,030	17,340	16,030
Loans/advances	46,459	49,595	46,459	49,595
Total financial liabilities	63,799	65,625	63,799	65,625

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the investments held are:

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

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

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 10% movement in market values	400	400	(400)	(400)
Possible impact of a 1% movement in interest rates	1,002	1,002	(1,002)	(1,002)
2015				
Possible impact of a 10% movement in market values	501	501	(501)	(501)
Possible impact of a 1% movement in interest rates	851	851	(851)	(851)

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		0%	75%	0%	71%
Overdue		100%	25%	100%	29%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	3,486	–	2,926
< 1 year overdue	0 – 30 days overdue	679	271	654	260
1 – 2 years overdue	30 – 60 days overdue	69	26	55	306
2 – 5 years overdue	60 – 90 days overdue	27	61	54	40
> 5 years overdue	> 90 days overdue	59	770	68	815
		834	4,614	831	4,347
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				329	206
+ new provisions recognised during the year				154	163
– amounts already provided for and written off this year				(31)	(16)
– amounts provided for but recovered during the year				(20)	(24)
Balance at the end of the year				432	329

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	9,160	8,180	—	—	—	—	—	17,340	17,340
Loans and advances	—	5,794	4,329	3,337	3,380	2,898	77,862	97,600	46,459
Total financial liabilities	9,160	13,974	4,329	3,337	3,380	2,898	77,862	114,940	63,799
2015									
Trade/other payables	7,577	8,453	—	—	—	—	—	16,030	16,030
Loans and advances	—	5,796	4,743	3,295	3,337	3,380	81,737	102,288	49,595
Total financial liabilities	7,577	14,249	4,743	3,295	3,337	3,380	81,737	118,318	65,625

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	17,340	0.00%	16,030	0.00%
Loans and advances – fixed interest rate	12,871	4.70%	14,249	6.20%
Loans and advances – variable interest rate	33,588	3.80%	35,346	3.80%
	<u>63,799</u>		<u>65,625</u>	

Dexia Loan

Included in the Statement of Financial Position within Borrowings is the Fair Value of \$32.589M re a loan financed in 2008 for \$30M. This notation is to advise that had Council decided to pay out the loan at 30 June 2016 the payout figure was estimated by Robert Nankivell of Dencache Pty Ltd to be \$43.768M.

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 22 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES				
Rates and annual charges	60,854	60,944	90	0% F
User charges and fees	18,143	19,056	913	5% F
Interest and investment revenue	2,215	3,293	1,078	49% F
The positive variance can be attributed to a greater than anticipated principal amount able to be invested over the 12 months.				
Other revenues	17,790	21,777	3,987	22% F
The positive variance can in the main be attributed to an unbudgeted fair value increment on Investment Properties of \$3.061M.				
Operating grants and contributions	5,806	7,251	1,445	25% F
The positive variance can in the main be attributed to Roads to Recovery funding exceeding budget by \$471K.				
Capital grants and contributions	5,800	22,394	16,594	286% F
The positive variance can be attributed to unbudgeted Affordable Housing contributions of \$3.237M, an unbudgeted Voluntary Planning Agreement contribution of \$5.592M and a non cash capital contribution of \$6.950M for 11 affordable housing units dedicated to Council.				
Net gains from disposal of assets	181	307	126	70% F
The positive variance can be attributed to a greater turnover in Council's fleet than anticipated.				

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
EXPENSES				
Employee benefits and on-costs	41,818	39,794	2,024	5% F
Borrowing costs	2,215	2,590	(375)	(17%) U
The negative variance can be attributed to an unbudgeted fair valuation of Council's CPI Linked Loan of \$723K.				
Materials and contracts	33,932	32,250	1,682	5% F
Depreciation and amortisation	12,170	11,724	446	4% F
Other expenses	14,215	13,106	1,109	8% F
Joint ventures and associates – net losses	5	22	(17)	(340%) U
The negative variance can be attributed to a greater than anticipated annual loss within the Shorelink Joint Venture.				

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	20,361	35,467	15,106	74.2%	F
The positive variance can be attributed to cash flows exceeding budget in the following areas: Interest Income by \$436K (greater than anticipated Principal invested), Grants & Contributions by \$8.587M (Capital contributions - VPA & Affordable Housing), unbudgeted Security Deposit income exceeding that refunded together with Employee Costs being \$904K lower than anticipated.					
Cash flows from investing activities	(9,043)	(30,532)	(21,489)	237.6%	U
The variance is based on the greater than anticipated purchase of investments during the year.					
Cash flows from financing activities	(3,809)	(3,859)	(50)	1.3%	U

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	7	–	1	(82)	74	–	(287)
Roads	821	–	–	6	(492)	–	335	–
Traffic facilities	3,037	–	–	55	(565)	–	2,527	–
Parking	630	288	–	13	(20)	–	911	–
Open space / Community facilities	625	73	–	62	(1,246)	486	–	(1,842)
Child Care	4,056	–	–	109	–	–	4,165	2,129
(R/A) Inc Non CBD	2,947	3,043	–	124	–	(560)	5,554	–
(R/A) Inc CBD	3,249	459	–	77	(2,000)	–	1,785	–
S94 contributions – under a plan	15,365	3,870	–	447	(4,405)	–	15,277	–
Total S94 revenue under plans	15,365	3,870	–	447	(4,405)	–	15,277	–
S94 not under plans	25	–	–	–	–	–	25	–
S93F planning agreements	110	5,592	–	172	–	–	5,874	–
Total contributions	15,500	9,462	–	619	(4,405)	–	21,176	–

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - WILLOUGHBY CITY COUNCIL

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	7	-	1	(82)	74	-	(287)
Roads	821	-	-	6	(492)	-	335	-
Traffic facilities	3,037	-	-	55	(565)	-	2,527	-
Parking	630	288	-	13	(20)	-	911	-
Open space / Community facilities	625	73	-	62	(1,246)	548	62	(1,842)
Child Care	4,056	-	-	109	-	-	4,165	2,129
(R/A) Inc Non CBD	2,947	3,043	-	124	-	(622)	5,492	-
(R/A) Inc CBD	3,249	459	-	77	(2,000)	-	1,785	-
Total	15,365	3,870	-	447	(4,405)	-	15,277	-

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	23	-	-	-	-	-	23	-
Parking	2	-	-	-	-	-	2	-
Total	25	-	-	-	-	-	25	-

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council (continued)

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

(iv) 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 and Environment Court. It is the Court's normal practice that parties bear their own costs.

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

ASSETS NOT RECOGNISED:

(i) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

ASSETS NOT RECOGNISED: (continued)

(ii) Land Under Roads

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

COUNCIL MERGERS

On 18 December 2015, the Premier and Minister for Local Government announced the Government's Merger proposal for Willoughby City Council, that is, that Willoughby City Council be joined with North Sydney Council to form a new entity.

On 25 February 2016, the Minister for Local Government announced a further merger proposal for Willoughby City Council, that is, that Willoughby City Council be joined with North Sydney Council and Mosman Council to form a new entity.

Both North Sydney (resolution on 21 March 2016) and Mosman Council (resolution on 20 April 2016), resolved to commence legal action against the proposed merger between Willoughby City Council, North Sydney Council and Mosman Council.

On 19 September 2016, Justice Moore handed down his findings and concluded that one of the complaints raised by the councils was valid.

The proposed merger remains in the hands of the delegate.

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	(22)	(5)	34	56
Total	(22)	(5)	34	56

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Shorelink Library Network	Joint Venture	Equity Method	34	56
Total carrying amounts – material joint ventures and associates			34	56

(b) Details

Name of entity	Principal activity	Place of business
Shorelink Library Network	Public Library Services	North Shore

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership	
	2016	2015	2016	2015
Shorelink Library Network	36%	37%	24%	24%

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	Shorelink Library Network	
	2016	2015
Statement of financial position		
Current assets		
Cash and cash equivalents	220	296
Total current assets	220	296
Non-current assets	6	15
Current liabilities		
Other current liabilities	87	82
Total current liabilities	87	82
Net assets	139	229
Reconciliation of the carrying amount		
Opening net assets (1 July)	229	251
Profit/(loss) for the period	(90)	(22)
Closing net assets	139	229
Council's share of net assets (%)	24.3%	24.3%
Council's share of net assets (\$)	34	56
Statement of comprehensive income		
Income	614	604
Interest income	5	8
Depreciation and amortisation	(9)	(15)
Other expenses	(670)	(611)
Profit/(loss) for period	(60)	(14)
Total comprehensive income	(60)	(14)
Share of income – Council (%)	36.5%	37.2%
Profit/(loss) – Council (\$)	(22)	(5)
Total comprehensive income – Council (\$)	(22)	(5)

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		2,459,420	2,438,511
a. Correction of prior period errors	20 (c)	(901)	—
b. Net operating result for the year		35,536	20,909
Balance at end of the reporting period		2,494,055	2,459,420

(b) Revaluation reserves**(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve	1,070,101	394,149
Total	1,070,101	394,149

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Opening balance	394,149	380,260
– Revaluations for the year	9(a) 675,952	13,889
– Balance at end of year	1,070,101	394,149
TOTAL VALUE OF RESERVES	1,070,101	394,149

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
First time recognition of Assets relating to Other Structures		1,446	—
A Bridge shown in Council's Asset Register that is under the care and control of State Rail and written out of the Assets register.		(2,347)	—
This adjustment resulted in a net (decrease) in Council's Accumulated Surplus as at 30/6/15.			
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to closing equity – 30/6/15		(901)	—
(relating to adjustments for the 30/6/15 year end)			
Total prior period adjustments – prior period errors		(901)	—

(d) Voluntary changes in accounting policies

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

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

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

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 11/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

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

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

Fair values.		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– At fair value through profit or loss	30/06/16	–	–	3,999	3,999
Total financial assets		–	–	3,999	3,999
Financial liabilities					
Loans/advances	30/06/16	–	–	32,589	32,589
Total financial liabilities		–	–	32,589	32,589
Investment properties					
Retail & Commercial Premises	30/06/16	–	–	70,885	70,885
Total investment properties		–	–	70,885	70,885
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/16	–	–	5,344	5,344
Office Equipment	30/06/16	–	–	742	742
Furniture & Fittings	30/06/16	–	–	1,413	1,413
Operational Land	30/06/16	–	–	371,178	371,178
Community Land	30/06/16	–	–	2,371,590	2,371,590
Land Improvements Depreciable	30/06/16	–	–	2,017	2,017
Buildings-Non Specialised	30/06/16	–	–	12,240	12,240
Buildings-Specialised	30/06/16	–	–	274,686	274,686
Other Structures	30/06/16	–	–	10,650	10,650
Roads	30/06/16	–	–	200,139	200,139
Bridges	30/06/16	–	–	8,888	8,888
Footpaths	30/06/16	–	–	60,005	60,005
Bulk Earthworks	30/06/16	–	–	20,815	20,815
Stormwater Drainage	30/06/16	–	–	85,335	85,335
Swimming Pools	30/06/16	–	–	2,930	2,930
Other Open Space/Recreational	30/06/16	–	–	26,031	26,031
Library Books	30/06/16	–	–	1,320	1,320
Total infrastructure, property, plant and equipment		–	–	3,455,323	3,455,323

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

Fair value measurement hierarchy					
Level 1	Level 2	Level 3			
Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs			
Total					
2015					
Recurring fair value measurements					
Financial assets					
Investments					
– At fair value through profit or loss	30/06/15	–	–	5,015	5,015
Total financial assets		–	–	5,015	5,015
Financial liabilities					
Loans/advances	30/06/15	–	–	32,346	32,346
Total financial liabilities		–	–	32,346	32,346
Investment properties					
Retail & Commercial Premises	30/06/15	–	–	67,717	67,717
Total investment properties		–	–	67,717	67,717
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/15	–	–	1,741	1,741
Office Equipment	30/06/15	–	–	730	730
Furniture & Fittings	30/06/15	–	–	644	644
Operational Land	30/06/15	–	–	366,454	366,454
Community Land	30/06/15	–	–	1,722,825	1,722,825
Land Improvements Depreciable	30/06/15	–	–	1,747	1,747
Buildings-Non Specialised	30/06/15	–	–	5,343	5,343
Buildings-Specialised	30/06/15	–	–	274,455	274,455
Other Structures	30/06/15	–	–	8,168	8,168
Roads	30/06/15	–	–	184,071	184,071
Bridges	30/06/15	–	–	9,905	9,905
Footpaths	30/06/15	–	–	52,676	52,676
Bulk Earthworks	30/06/15	–	–	20,750	20,750
Stormwater Drainage	30/06/15	–	–	83,881	83,881
Swimming Pools	30/06/15	–	–	2,977	2,977
Other Open Space/Recreational	30/06/15	–	–	23,919	23,919
Library Books	30/06/15	–	–	1,414	1,414
Other	30/06/15	–	–	5,128	5,128
Total infrastructure, property, plant and equipment		–	–	2,766,828	2,766,828

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Financial Assets

Investments - At fair value through profit or loss are represented by:

- a) FRN's – Heritage Bank, Adelaide & Bendigo Bank and Credit Union Australia

Council obtains valuations from its Investment Advisor at the end of each reporting period to ensure the financial statements reflect the most up to date valuation. Council was advised that the valuations have been provided by a number of market based sources. In most instances the arranging bank provides monthly valuations and also provides liquidity to investors who want to exit their holdings. FRN holdings are generally priced by a number of market participants and the pricing is therefore quite transparent.

Financial Liabilities

Loans – Fair Value is calculated as the difference between what is paid under the CPI indexed structure and what would have been paid under a conventional credit foncier loan. The cumulative difference increases the fair value over the first part of the loan period. As the repayment is also indexed, it grows faster than the balance and eventually brings down the loan balance and fair value. There has been no change in the valuation process during the reporting period.

Included in the Statement of Financial Position within Borrowings is the fair Value of \$32.563M re a loan financed in 2008 for \$30M. This notation is to advise that had Council decided to pay out the loan as at 30 June 2016 the payout figure was estimated by Robert Nankivell of Dencache Pty Ltd to be \$43.768M.

Investment Properties

Council obtains independent valuations of its investment property on an annual basis to ensure to financial statements reflect the most up to date valuation.

Daniel Atherton – Registered Valuer NSW : VAL 015214 – APV Valuers and Asset Management undertook the valuation for the year ended 30 June 2016. The following method was used to determine the fair value measurements.

Land – Level 2 valuation inputs were used to value land held in freehold title (investment and non investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation is price per square metre.

Buildings – Level 3 valuation inputs were used to determine the fair value of a range of properties. These have been generally derived using a combination of a sales direct comparison approach and a capitalisation of

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre. There has been no change in the valuation process during the reporting period.

Infrastructure, Property, Plant & Equipment

Plant and Equipment, Office Equipment and Furniture and Fittings

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed as fair value in the notes. The carrying value of these assets is assumed to approximate fair value due to their very nature.

Examples of assets within these classes are as follows:

- a) Plant and Equipment – Trucks, Buses and Motor Vehicles
- b) Office Equipment – Computer Equipment
- c) Furniture and Fittings – Desks, Chairs and Bookshelves

There has been no change in the valuation process during the reporting period.

Operational Land

This asset class incorporates all of Council's land classified as "Operational" under the NSW Local Government Act 1993. The key unobservable input to the valuation is price per square metre. The last valuation was undertaken on 30 June 2013 by APV Valuers and Asset Management.

Land – Level 2 valuation inputs were used to value land held in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

The most significant inputs into this valuation is price per square metre. There has been no change in the valuation process during the reporting period.

Community Land

Valuations of all of Council's Community Land and Council Managed Land are based on deprival land Values. The last valuation was undertaken on 30 June 2016 by APV Valuers and Asset Management.

Land Improvements - Depreciable

This asset class comprises land improvements such as walking tracks. This class of asset is fair valued by Council staff. The valuation has been materially impacted by estimations of gross replacement cost, rates per square metre, asset condition, useful life, residual value and pattern of consumption and has been valued using level 3 inputs.

The fair valuation was completed by Council staff for the first time for the year ended 30 June 2016.

Buildings – Non Specialised & Specialised

Buildings were valued by APV Valuers and Asset Management in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (Level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such these assets were classified as having been valued using level 3 valuation inputs. There have been no changes in the valuation process during the reporting period.

Other Structures

This asset class includes assets such as The Chatswood Solar Farm, Public Art structures, Tennis Courts and The Water Treatment Tank at The Concourse. These assets are valued at cost but are disclosed at fair value in the Accounts. The carrying value of these assets is assumed to approximate fair value due to their very nature.

The last valuation was undertaken on 30 June 2016 by APV Valuers and Asset Management.

Roads

This class of asset includes road pavement, surface and formation, kerb and guttering and car parks. The fair valuation is undertaken annually by Council staff. Whilst the unit and linear metre rates could be supported from market evidence (Level 2), other inputs such as (residual value, useful lives, pattern of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change in the valuation process during the reporting period.

Bridges

This class of asset is fair valued annually by staff based on the "cost of componentisation" which was last provided by Pitt and Sherry during the 2014/2015 financial year. The consultants use their professional judgement and experience. As such these assets were classified as having been valued using Level 3 valuation inputs.

The bridge over the Pacific Highway near 477 Pacific Highway was re-valued as a result of the cost of works undertaken in 2015/16.

Under the rail safety interface agreement it has been determined that care and control of the bridge over the rail line at Herbert Street is with NSW State Rail.

Footpaths

This class of asset is fair valued annually by staff. Whilst the unit rates based on square metres could be supported from market evidence (Level 2), other inputs such as (residual value, useful lives, pattern of consumption and asset condition) required extensive professional judgement which impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

There has been no change in the valuation process during the reporting period.

Bulk Earthworks

This class of asset is fair valued annually by staff. The unit rate is based on a per square metre rate

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

which could be supported from market evidence and is therefore shown as being developed from Level 2 inputs.

There has been no change in the valuation process during the reporting period.

Stormwater Drainage

This class of asset includes Stormwater Conduits, Pits and Gross Pollutant Traps. The fair valuation is undertaken annually by Council staff. Whilst the unit rates based on linear metres could be supported from market evidence (Level 2), other inputs (such as residual value, useful life, gross replacement cost, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 inputs.

There has been no change in the valuation process during the reporting period.

Swimming Pools

This class of asset includes the pool at the Willoughby Leisure Centre together with the Ocean pool at Northbridge Baths. Valuation information has been provided from both in house and by APV Valuers and Asset Management in June 2013. The valuation required inputs such as gross replacement cost, assessment of useful life, residual value and pattern of consumption and as a result has been valued using Level 3 inputs.

There has been no change in the valuation process during the reporting period.

Other Open Space/Recreational

This class of asset includes Playgrounds, Parks and Sporting Fields. This class of asset is fair valued by Council staff. The valuation has been materially impacted by estimations of gross replacement cost, rates per square metre, asset condition, useful life, residual value and pattern of consumption and has been valued using Level 3 inputs.

There has been no change in the valuation process during the reporting period.

Library Books

This class of asset is valued at cost but disclosed as fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to their very nature.

Council reviews the value of these assets against quoted prices for the gross replacement cost of similar assets and by taking account of the pattern of consumption, estimated useful life and the residual value and been valued using Level 3 inputs.

There has been no change in the valuation process during the reporting period.

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Investments	Loans/ Advances	Investment Properties	Plant/ Equipment	Total
Opening balance – 1/7/14	5,487	32,092	64,903	2,011	104,493
Purchases (GBV)	–	–	–	545	545
Disposals (WDV)	–	–	–	(66)	(66)
Depreciation and impairment	–	–	–	(749)	(749)
FV gains – Income Statement ¹	–	–	2,814	–	2,814
Other movement	(472)	254	–	–	(218)
Closing balance – 30/6/15	5,015	32,346	67,717	1,741	106,819
Transfers from/Other Assets	–	–	–	3,803	3,803
Purchases (GBV)	–	–	–	897	897
Disposals (WDV)	–	–	–	(84)	(84)
Depreciation and impairment	–	–	–	(1,013)	(1,013)
FV gains – Income Statement ¹	–	–	3,168	–	3,168
Other movement	(1,016)	243	–	–	(773)
Closing balance – 30/6/16	3,999	32,589	70,885	5,344	112,817

¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 14/15	–	–	2,814	–	2,814
YE 15/16	–	–	3,168	–	3,168

	Office Equipment F&F	Operational Land	Community Land Improvements	Land Depreciable	Total
Opening balance – 1/7/14	1,426	366,454	1,722,825	1,602	2,092,307
Purchases (GBV)	241	–	–	261	502
Depreciation and impairment	(293)	–	–	(116)	(409)
Closing balance – 30/6/15	1,374	366,454	1,722,825	1,747	2,092,400
Transfers from Other Category	1,033	1,054	(1,054)	–	1,033
Purchases (GBV)	145	3,670	–	212	4,027
Depreciation and impairment	(397)	–	–	(30)	(427)
FV gains – to Equity	–	–	649,819	88	649,907
Closing balance – 30/6/16	2,155	371,178	2,371,590	2,017	2,746,940

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Buildings	Other Structures	Roads Bridges/Foot. k Earthworks	Stormwater	Total
Opening balance – 1/7/14	280,838	8,342	260,070	80,867	630,117
Purchases (GBV)	444	138	3,963	1,673	6,218
Depreciation and impairment	(1,484)	(312)	(3,459)	(1,265)	(6,520)
FV gains – to Equity	–	–	6,827	2,606	9,433
Closing balance – 30/6/15	279,798	8,168	267,401	83,881	639,248
Transfers from/(to) another asset class	318	78	108	–	504
Purchases (GBV)	8,827	444	5,911	1,511	16,693
Depreciation and impairment	(2,017)	(383)	(4,112)	(1,199)	(7,711)
FV gains(loss) – to Equity	–	2,343	20,539	1,142	24,024
Closing balance – 30/6/16	286,926	10,650	289,847	85,335	672,758

	Swimming Pools	Open Space Rec.	Library Books	Other	Total
Opening balance – 1/7/14	3,024	20,824	1,523	4,263	29,634
Transfers from/(to) another asset class	–	31	–	142	173
Purchases (GBV)	–	318	431	1,299	2,048
Depreciation and impairment	(47)	(1,710)	(540)	(576)	(2,873)
FV gains – to Equity	–	4,456	–	–	4,456
Closing balance – 30/6/15	2,977	23,919	1,414	5,128	33,438
Transfers from/(to) another asset class	–	818	–	(5,128)	(4,310)
Purchases (GBV)	–	2,167	439	–	2,606
Depreciation and impairment	(47)	(1,993)	(533)	–	(2,573)
FV gains – to Equity	–	1,120	–	–	1,120
Closing balance – 30/6/16	2,930	26,031	1,320	–	30,281

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

No transfers were made in or out of the Level 3 Fair Valuation hierarchy during the year.

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(4). Fair value measurements using significant unobservable inputs (Level 3)

(c) Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Unobservable valuation inputs are disclosed in the note relating to Valuation techniques in Note 27.

(d) The Valuation Process for Level 3 Fair Value Measurements

AASB 13 Fair Value Measurement requires disclosure of fair value measurement by level of input, using the following hierarchy;

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

Fair Value – Valuation Techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost Approach – A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

Income Approach – Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (ie discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach – A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

(1) Valuation techniques used to derive Level 2 and Level 3 inputs are as follows:

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Level 2 Valuation:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase Price
- Useful Life

Level 3 Valuation:

- Pattern of consumption
- Residual value
- Asset condition

Willoughby City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

- Unit rates
- Useful life

(2) Transfers between hierarchy

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period. During the reporting period there were no transfers between levels of hierarchy.

(3) Highest and best use

All of Council's non - financial assets are considered to be being utilised for their highest and best use following due consideration to: physical possibility, legal permissibility, financial feasibility and maximum profitability. Implied within these criteria is the recognition of the contribution of that specific use to the community's environment and or development goals.

Willoughby City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	60,944	57,288	54,439	52,209	49,605
User charges revenue	19,056	18,515	17,429	18,221	17,002
Interest and investment revenue (losses)	3,293	2,812	2,505	3,238	3,046
Grants income – operating and capital	6,767	6,222	4,781	5,517	6,786
Total income from continuing operations	135,022	119,097	128,548	110,446	103,452
Sale proceeds from I,PP&E	391	224	296	325	26,744
New loan borrowings and advances	–	–	–	2,000	–
Outflows:					
Employee benefits and on-cost expenses	39,794	40,539	39,129	38,340	37,173
Borrowing costs	2,590	2,943	3,113	3,258	3,682
Materials and contracts expenses	32,250	31,085	28,971	29,555	29,581
Total expenses from continuing operations	99,486	98,188	96,411	95,379	96,521
Total cash purchases of I,PP&E	17,704	10,515	9,809	11,986	20,492
Total loan repayments (incl. finance leases)	3,859	3,695	3,610	6,382	4,306
Operating surplus/(deficit) (excl. capital income)	13,142	8,080	15,175	3,868	471
Financial position figures	2016	2015	2014	2013	2012
Current assets	107,699	90,427	73,549	58,074	50,328
Current liabilities	31,506	31,867	28,057	28,170	25,149
Net current assets	76,193	58,560	45,492	29,904	25,179
Available working capital (Unrestricted net current assets)	990	2,499	4,364	3,667	430
Cash and investments – unrestricted	11,416	12,468	10,902	8,011	5,277
Cash and investments – internal restrictions	49,122	44,666	38,179	28,543	25,861
Cash and investments – total	104,284	90,112	71,436	55,224	45,460
Total borrowings outstanding (Loans, advances and finance leases)	46,459	49,595	52,571	55,458	59,109
Total value of I,PP&E (excl. land and earthworks)	854,776	803,228	793,037	775,878	753,666
Total accumulated depreciation	159,493	144,948	148,544	145,317	147,107
Indicative remaining useful life (as a % of GBV)	81%	82%	81%	81%	80%

Source: published audited financial statements of Council (current year and prior year)

Willoughby City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 29. Council information and contact details

Principal place of business:

31 Victor Street
Chatswood NSW 2067

Contact details**Mailing address:**

PO Box 57
Chatswood NSW 2067

Opening hours:

Monday to Friday, 8:30am to 5:00pm

Telephone: 02 9777 1000

Facsimile: 02 9411 8309

Internet: www.willoughby.nsw.gov.au

Email: email@willoughby.nsw.gov.au

Officers**GENERAL MANAGER**

Debra Just

RESPONSIBLE ACCOUNTING OFFICER

Mark McDonald

PUBLIC OFFICER

Marnie Hillman

AUDITORS

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Elected members**MAYOR**

Gail Giles Gidney

COUNCILLORS

Wendy Norton
Judith Rutherford
Nic Wright
Angelo Rozos
John Hooper
Rachel Hill
Stuart Coppock
Michelle Sloane
Tony Mustaca
Lynne Saville
Hugh Eriksson
Mandy Stevens

Other information

ABN: 47 974 826 099



The Willoughby City Council

Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements of the Willoughby Council, which comprise the statement of financial position as at 30 June 2016 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993 and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 nor the attached Special Schedules, and accordingly, we express no opinion on them.

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

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2016 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Marc Upcroft'.

Marc Upcroft
Partner

Sydney
12 October 2016



Private & Confidential

The Mayor
Councillor Gail Giles-Gidney
Willoughby City Council
31 Victor Street
CHATSWOOD NSW 2067

Dear Councillor Gail Giles-Gidney

**Report on the conduct of the Audit for year ended 30 June 2016 –
Section 417(3)**

We have completed our audit of the financial reports of the Council for the year ended 30 June 2016, 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 Australian Accounting Standards 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 cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) 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 increased from \$21 million in the previous year to \$36 million in the current period. The net operating result before Capital Contributions was a surplus of \$13 million against the previous year's \$8 million.

Cash position

Council's overall cash position improved from \$90 million to \$104 million during the period under review. The following table highlights the composition of cash.

	2016 \$m	2015 \$m
Externally restricted	44	33
Internally restricted	49	45
Unrestricted	11	12
Total	104	90

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Working capital

Council's net current assets increased from \$59 million to \$76 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2016	2015
	\$m	\$m
Net current assets	76	59
Less: External restrictions	(44)	(33)
Internal restrictions	(49)	(45)
Add: Current liabilities deferred	18	22
Available working capital	1	3

The effective unrestricted or available working capital upon which Council could build its 2017 budget was \$1 million.

Performance indicators

The financial reports disclose of a number of indicators in Note 13 and these are detailed below:

	2016	2015
Operating Performance Ratio	8.98%	6.22%
Own Source Operating Revenue Ratio	77.49%	82.94%
Unrestricted Current Ratio	4.27	3.99
Debt Service Cover Ratio	3.74	3.01
Rates Outstanding Ratio	1.35%	1.43%
Cash Expense Cover Ratio	12.08 months	10.8 months

The Operating Performance Ratio improved to 8.98% and remain above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio declined to 77.49% and remained above the industry benchmark of 60%.

The Unrestricted Current Ratio improved and remained above the industry benchmark of 150%.

The Debt Service Cover Ratio improved and remained above the industry benchmark of 200%.

The Rates Outstanding Ratio improved and remained well within the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 12.08 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.



Council is considered to be in a sound and stable financial position.

General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and her staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers", written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read "M Upcroft", written in a cursive style.

Marc Upcroft
Partner

Sydney
12 October 2016

Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"...the vital hub of the region, where residential, commercial,
cultural and environmental interests are respected and balanced,
and our communities enjoy a diversity of lifestyles."



Willoughby City Council

Special Purpose Financial Statements for the year ended 30 June 2016

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2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
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Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include (a) those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and (b) those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must (a) adopt a corporatisation model and (b) apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Willoughby City Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

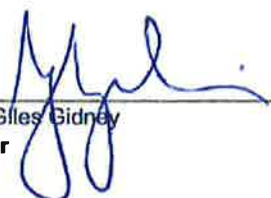

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

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

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

Signed in accordance with a resolution of Council made on 10 October 2016.


Gail Giles Bidney
Mayor
Michelle Sloane
Councillor
Debra Just
General Manager
Mark McDonald
Responsible Accounting Officer

Willoughby City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	The Concourse Precinct Category 1		Willoughby Leisure Centre Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	—	—	—	—
Fees	6,653	—	2,686	2,519
Interest	396	—	—	—
Grants and contributions provided for non-capital purposes	213	—	16	—
Profit from the sale of assets	—	—	—	—
Other income	6,278	—	670	760
Total income from continuing operations	13,540	—	3,372	3,279
Expenses from continuing operations				
Employee benefits and on-costs	6,089	—	2,445	2,245
Borrowing costs	2,326	—	—	—
Materials and contracts	2,233	—	497	615
Depreciation and impairment	1,782	—	94	101
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	—	—	—	—
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	4,176	—	920	838
Total expenses from continuing operations	16,606	—	3,956	3,799
Surplus (deficit) from continuing operations before capital amounts	(3,066)	—	(584)	(520)
Grants and contributions provided for capital purposes	2,000	—	—	—
Surplus (deficit) from continuing operations after capital amounts	(1,066)	—	(584)	(520)
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	(1,066)	—	(584)	(520)
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—	—	—
SURPLUS (DEFICIT) AFTER TAX	(1,066)	—	(584)	(520)
Plus opening retained profits	—	—	(1,619)	(1,099)
Plus/less: prior period adjustments	255,562	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	775	—	36	35
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	—	—	—	—
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	—	—	(36)	(35)
Closing retained profits	255,271	—	(2,203)	(1,619)
Return on capital %	-0.3%		-6.4%	-5.7%
Subsidy from Council	5,667	—	767	795

Willoughby City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Devonshire Child Care Category 2		Family Day Care Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	942	923	295	194
Interest	-	-	-	-
Grants and contributions provided for non-capital purposes	495	459	688	792
Profit from the sale of assets	-	-	-	-
Other income	-	-	4	3
Total income from continuing operations	1,437	1,382	987	989
Expenses from continuing operations				
Employee benefits and on-costs	1,257	1,225	285	300
Borrowing costs	-	-	-	-
Materials and contracts	90	104	9	10
Depreciation and impairment	12	8	12	13
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	230	295	811	766
Total expenses from continuing operations	1,589	1,632	1,117	1,089
Surplus (deficit) from continuing operations before capital amounts	(152)	(250)	(130)	(100)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from continuing operations after capital amounts	(152)	(250)	(130)	(100)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from all operations before tax	(152)	(250)	(130)	(100)
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(152)	(250)	(130)	(100)
Plus opening retained profits	(2,324)	(2,074)	(1,407)	(1,307)
Plus/less: prior period adjustments	-	-	-	-
Plus adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
Add:				
- Subsidy paid/contribution to operations	-	-	-	-
Less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing retained profits	(2,476)	(2,324)	(1,537)	(1,407)
Return on capital %	-14.5%	-23.6%	-361.1%	-208.3%
Subsidy from Council	173	282	131	101

Willoughby City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Before/After School Care Category 2		Artarmon Child Care Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	—	—	—	—
Fees	949	929	199	424
Interest	—	—	—	—
Grants and contributions provided for non-capital purposes	389	370	117	240
Profit from the sale of assets	—	—	—	—
Other income	—	—	—	—
Total income from continuing operations	1,338	1,299	316	664
Expenses from continuing operations				
Employee benefits and on-costs	662	719	431	490
Borrowing costs	—	—	—	—
Materials and contracts	82	78	23	42
Depreciation and impairment	—	—	6	6
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	—	—	—	—
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	200	172	123	177
Total expenses from continuing operations	944	969	583	715
Surplus (deficit) from continuing operations before capital amounts	394	330	(267)	(51)
Grants and contributions provided for capital purposes	—	—	—	—
Surplus (deficit) from continuing operations after capital amounts	394	330	(267)	(51)
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	394	330	(267)	(51)
Less: corporate taxation equivalent (30%) [based on result before capital]	(118)	(99)	—	—
SURPLUS (DEFICIT) AFTER TAX	276	231	(267)	(51)
Plus opening retained profits	657	327	(1,430)	(1,379)
Plus/less: prior period adjustments	—	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	—	—	—	—
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	118	99	—	—
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	—	—	—	—
Closing retained profits	1,051	657	(1,697)	(1,430)
Return on capital %	n/a	n/a	-112.2%	-20.9%
Subsidy from Council	—	—	272	58

Willoughby City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Dougherty Food Services Category 2	
\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	—	—
User charges	—	—
Fees	281	148
Interest	—	—
Grants and contributions provided for non-capital purposes	—	13
Profit from the sale of assets	—	—
Other income	93	86
Total income from continuing operations	374	247
Expenses from continuing operations		
Employee benefits and on-costs	332	230
Borrowing costs	—	—
Materials and contracts	175	96
Depreciation and impairment	3	2
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	36	39
Total expenses from continuing operations	546	367
Surplus (deficit) from continuing operations before capital amounts	(172)	(120)
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	(172)	(120)
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	(172)	(120)
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	(172)	(120)
Plus opening retained profits	(1,259)	(1,139)
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	—	—
– Dividend paid	—	—
Closing retained profits	(1,431)	(1,259)
Return on capital %	-27.8%	-19.4%
Subsidy from Council	184	139

Willoughby City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	The Concourse Precinct		Willoughby Leisure Centre	
	Category 1		Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	12,109	–	–	–
Receivables	208	–	–	–
Inventories	–	–	702	603
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	12,317	–	702	603
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	247,597	–	9,177	9,121
Investments accounted for using equity method	–	–	–	–
Investment property	39,439	–	–	–
Other	–	–	–	–
Total non-current assets	287,036	–	9,177	9,121
TOTAL ASSETS	299,353	–	9,879	9,724
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	971	–	2,820	2,560
Borrowings	1,927	–	9,003	8,542
Provisions	803	–	129	121
Total current liabilities	3,701	–	11,952	11,223
Non-current liabilities				
Payables	–	–	–	–
Borrowings	40,021	–	–	–
Provisions	28	–	130	120
Other Liabilities	–	–	–	–
Total non-current liabilities	40,049	–	130	120
TOTAL LIABILITIES	43,750	–	12,082	11,343
NET ASSETS	255,603	–	(2,203)	(1,619)
EQUITY				
Retained earnings	255,271	–	(2,203)	(1,619)
Revaluation reserves	332	–	–	–
Council equity interest	255,603	–	(2,203)	(1,619)
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	255,603	–	(2,203)	(1,619)

Willoughby City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Devonshire Child Care Category 2		Family Day Care Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	124	132	789	594
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	124	132	789	594
Non-current assets				
Investments	–	–	–	–
Receivables	618	533	978	872
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,047	1,059	36	48
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	1,665	1,592	1,014	920
TOTAL ASSETS	1,789	1,724	1,803	1,514
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	3,870	3,697	3,243	2,832
Borrowings	–	–	–	–
Provisions	196	174	41	37
Total current liabilities	4,066	3,871	3,284	2,869
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	199	177	56	52
Other Liabilities	–	–	–	–
Total non-current liabilities	199	177	56	52
TOTAL LIABILITIES	4,265	4,048	3,340	2,921
NET ASSETS	(2,476)	(2,324)	(1,537)	(1,407)
EQUITY				
Retained earnings	(2,476)	(2,324)	(1,537)	(1,407)
Revaluation reserves	–	–	–	–
Council equity interest	(2,476)	(2,324)	(1,537)	(1,407)
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	(2,476)	(2,324)	(1,537)	(1,407)

Willoughby City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Before/After School Care Category 2		Artarmon Child Care Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	1,471	967	28	160
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	1,471	967	28	160
Non-current assets				
Investments	1,777	1,777	–	–
Receivables	115	102	103	109
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	–	–	238	244
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	1,892	1,879	341	353
TOTAL ASSETS	3,363	2,846	369	513
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	2,061	1,946	1,831	1,728
Borrowings	–	–	–	–
Provisions	123	114	102	92
Total current liabilities	2,184	2,060	1,933	1,820
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	122	123	131	121
Other Liabilities	6	6	2	2
Total non-current liabilities	128	129	133	123
TOTAL LIABILITIES	2,312	2,189	2,066	1,943
NET ASSETS	1,051	657	(1,697)	(1,430)
EQUITY				
Retained earnings	1,051	657	(1,697)	(1,430)
Revaluation reserves	–	–	–	–
Council equity interest	1,051	657	(1,697)	(1,430)
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	1,051	657	(1,697)	(1,430)

Willoughby City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Dougherty Food Services Category 2	
\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	–	–
Non-current assets		
Investments	–	–
Receivables	857	762
Inventories	–	–
Infrastructure, property, plant and equipment	618	620
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	1,475	1,382
TOTAL ASSETS	1,475	1,382
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	481	444
Borrowings	2,354	2,133
Provisions	25	22
Total current liabilities	2,860	2,599
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	46	42
Other Liabilities	–	–
Total non-current liabilities	46	42
TOTAL LIABILITIES	2,906	2,641
NET ASSETS	(1,431)	(1,259)
EQUITY		
Retained earnings	(1,431)	(1,259)
Revaluation reserves	–	–
Council equity interest	(1,431)	(1,259)
Non-controlling equity interest	–	–
TOTAL EQUITY	(1,431)	(1,259)

Willoughby City Council

Special Purpose Financial Statements for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	12
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Willoughby City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

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

Declared business activities

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

Category 1

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

a. The Concourse Precinct

Provision of the Chatswood library service and the management of the venue, facilities, car park, retail, urban screen and the art space at the site.

b. Willoughby Leisure Centre

Provision of leisure facilities including a Gymnasium & Pool. A council owned facility previously managed by a private company.

Category 2

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

c. Devonshire Street Child Care Centre

Provision of long day child care services for up to 50 places at its premises situated at 38 Devonshire St, Chatswood, from 7.30am to 6.00pm.

d. Family Day Care

Provision of Day care services for children in need of care from ages 0-12 years at a registered carers home.

e. Before/After School Care/Vacation Care

Provision of Before & After School care for children at the following centres:

- Artarmon (BSC & ASC)
- Chatswood (BSC & ASC)
- Naremburn (ASC)

Willoughby City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

Before school care hours are from 7.30am to 9.00am and after school care hours are from 3.00pm to 6.00pm.

In addition, Council in conjunction with the State Government operates Vacation Care services at the following centres during school holidays:

- Artarmon Vacation Care Centre
- Bales Park Vacation Care Centre
- Chatswood Vacation Care Centre
- Beauchamp Park Vacation Care Centre

f. Artarmon Child Care Centre

Provision of long day child care services for up to 30 places at its premises situated at 3 Abbott Rd, Artarmon, from 7.30am to 6.00pm.

g. Dougherty Food Services

Commercial food kitchen that supplies meals on a contract basis to a number of organisations as well as catering for functions and the operation of a coffee shop.

Monetary amounts

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

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Willoughby City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iv) Dividends

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

(iii) Return on investments (rate of return)

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June



The Willoughby City Council

Independent auditor's report Report on the special purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements, being the special purpose financial statements, of the Willoughby City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2016, the Income Statements by Business Activity for the year then ended, Notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2016.

Councillors' responsibility for the financial report

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial statements, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



Auditor's opinion:

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of the Council as of 30 June 2016 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Council.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Marc Upcroft'.

Marc Upcroft
Partner

Sydney
12 October 2016

Willoughby City Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

“...the vital hub of the region, where residential, commercial,
cultural and environmental interests are respected and balanced,
and our communities enjoy a diversity of lifestyles.”



Willoughby City Council

Special Schedules for the year ended 30 June 2016

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Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	5
Special Schedule 8	Permissible Income Calculation	9

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

Willoughby City Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,981	400	–	(1,581)
Administration	22,373	2,796	2,660	(16,917)
Public order and safety				
Fire service levy, fire protection, emergency services	1,531	7	–	(1,524)
Beach control	–	–	–	–
Enforcement of local government regulations	2,967	5,350	–	2,383
Animal control	3	24	–	21
Other	65	–	–	(65)
Total public order and safety	4,566	5,381	–	815
Health	227	193	–	(34)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	2,827	–	–	(2,827)
Solid waste management	11,372	15,204	–	3,832
Street cleaning	1,767	4	–	(1,763)
Drainage	1,642	465	–	(1,177)
Stormwater management	341	4	–	(337)
Total environment	17,949	15,677	–	(2,272)
Community services and education				
Administration and education	1,997	744	–	(1,253)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	908	910	–	2
Children's services	4,037	4,151	–	114
Total community services and education	6,942	5,805	–	(1,137)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	1,014	197	–	(817)
Town planning	3,568	1,751	–	(1,817)
Other community amenities	1,014	736	16,166	15,888
Total housing and community amenities	5,596	2,684	16,166	13,254

Willoughby City Council

Special Schedule 1 – Net Cost of Services (continued)
 for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	4,609	435	–	(4,174)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	2,453	556	80	(1,817)
Performing arts venues	1,646	679	–	(967)
Other performing arts	–	–	–	–
Other cultural services	2,127	1,158	–	(969)
Sporting grounds and venues	1,893	1,091	–	(802)
Swimming pools	2,878	3,029	–	151
Parks and gardens (lakes)	6,407	64	–	(6,343)
Other sport and recreation	4,494	1,883	1,548	(1,063)
Total recreation and culture	26,507	8,895	1,628	(15,984)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,185	433	–	(752)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	1,185	433	–	(752)
Transport and communication				
Urban roads (UR) – local	5,775	2,043	774	(2,958)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	439	182	–	(257)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	2,082	6,388	5	4,311
Footpaths	1,473	189	774	(510)
Aerodromes	–	–	–	–
Other transport and communication	1,492	1,602	387	497
Total transport and communication	11,261	10,404	1,940	1,083
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	877	9,864	–	8,987
Total economic affairs	877	9,864	–	8,987
Totals – functions	99,464	62,532	22,394	(14,538)
General purpose revenues ⁽¹⁾		50,096		50,096
Share of interests – joint ventures and associates using the equity method	22	–		(22)
NET OPERATING RESULT ⁽²⁾	99,486	112,628	22,394	35,536

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Willoughby City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)
for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	-	-	-	-	-	-	-	-	-	-	-
Treasury corporation	-	-	-	-	-	-	-	-	-	-	-
Other state government	-	-	-	-	-	-	-	-	-	-	-
Public subscription	-	-	-	-	-	-	-	-	-	-	-
Financial institutions	3,303	12,929	16,232	-	3,304	-	-	726	2,409	10,519	12,928
Other	481	26,358	26,839	-	480	-	-	1,141	496	25,863	26,359
Total loans	3,784	39,287	43,071	-	3,784	-	-	1,867	2,905	36,382	39,287
Other long term debt											
Ratepayers advances	-	-	-	-	-	-	-	-	-	-	-
Government advances	-	-	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-	-	-
Deferred payments	75	945	1,020	-	75	-	-	-	75	870	945
Total long term debt	75	945	1,020	-	75	-	-	-	75	870	945
Total debt	3,859	40,232	44,091	-	3,859	-	-	1,867	2,980	37,252	40,232

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the face value of debt obligations, rather than fair value (which are reported in the GPFS).

Willoughby City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Buildings	Council offices	–	265	265	1,864	1,969	0%	100%	0%	0%	0%
	Council Works Depot	37	300	301	20,434	20,865	98%	0%	1%	1%	0%
	Council Halls	2	16	16	654	858	0%	34%	65%	1%	0%
	Libraries	10	80	78	5,068	5,555	73%	20%	6%	1%	0%
	Council Houses	12	14	14	12,240	14,068	73%	26%	0%	1%	0%
	Commercial Buildings	79	225	228	65,034	68,053	10%	3%	86%	1%	0%
	Childcare Centres	46	85	86	7,772	8,731	0%	79%	18%	3%	0%
	Community Centres	17	1,490	1,491	163,945	169,442	94%	2%	3%	1%	0%
Other	Amenities/Toilets	40	180	182	9,915	11,549	4%	32%	62%	2%	0%
	Sub-total	243	2,655	2,661	286,926	301,090	67%	8%	24%	1%	0%
	Other structures	–	88	88	10,650	12,500	6%	84%	10%	0%	0%
	Sub-total	–	88	88	10,650	12,500	6%	84%	10%	0%	0%
Roads	Sealed roads	2,318	1,660	1,662	116,145	174,183	5%	51%	38%	5%	1%
	Bridges	300	80	84	8,888	10,428	79%	14%	2%	0%	5%
	Footpaths/Cycleways	618	860	861	60,005	70,645	45%	25%	25%	5%	0%
	Kerb and Gutter	1,031	90	94	82,286	94,682	50%	28%	17%	5%	0%
	Carparks	28	90	93	1,708	2,685	5%	3%	85%	7%	0%
	Sub-total	4,295	2,780	2,794	269,032	352,623	27%	38%	29%	5%	1%

Willoughby City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
							1	2	3	4	5
Stormwater drainage	Pipes and Pits	3,320	535	536	84,907	115,902	31%	24%	31%	13%	1%
	Gross Pollutant Traps	118	–	–	428	893	27%	0%	0%	72%	1%
	Sub-total	3,438	535	536	85,335	116,795	31%	24%	31%	13%	1%
Open space/recreational assets	Swimming pools	82	50	45	2,931	3,892	4%	28%	56%	12%	0%
	Parks & Playgrounds	778	650	652	18,334	23,827	13%	16%	55%	16%	0%
	Sporting Fields	1,247	480	487	7,696	13,893	22%	18%	33%	16%	11%
	Sub-total	2,107	1,180	1,184	28,961	41,612	15%	18%	48%	16%	4%
Other infrastructure assets											
	Land Improvements Depreciable	–	26	26	2,017	–	0%	0%	0%	0%	0%
	Sub-total	–	26	26	2,017	–	0%	0%	0%	0%	0%
	TOTAL – ALL ASSETS	10,083	7,264	7,289	682,921	824,620	41%	25%	28%	5%	1%

Notes:

^a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

Willoughby City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

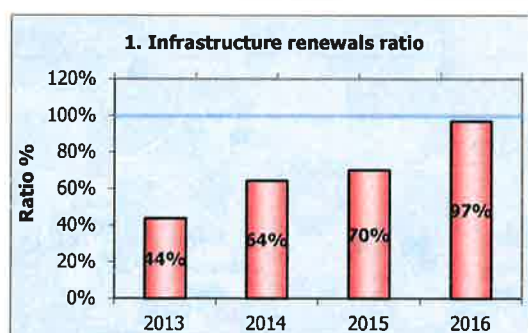
\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators *				
consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	9,451	96.92%	70.18%	64.46%
Depreciation, amortisation and impairment	9,751			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	10,083	1.48%	1.70%	5.03%
Carrying value of infrastructure assets	682,921			
3. Asset maintenance ratio				
Actual asset maintenance	7,289	1.00	0.75	0.62
Required asset maintenance	7,264			
4. Capital expenditure ratio				
Annual capital expenditure	27,230	2.32	0.99	2.01
Annual depreciation	11,724			

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Willoughby City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016Benchmark: — Minimum $\geq 100.00\%$

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

Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2015/16 result**2015/16 Ratio** 96.92%

This indicator is moving positively towards the industry benchmark of 100%



Ratio achieves benchmark
Ratio is outside benchmark

Benchmark: — Maximum $< 2.00\%$

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

Purpose of infrastructure backlog ratio

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

Commentary on 2015/16 result**2015/16 Ratio** 1.48%

This indicator is currently being met



Ratio achieves benchmark
Ratio is outside benchmark

Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

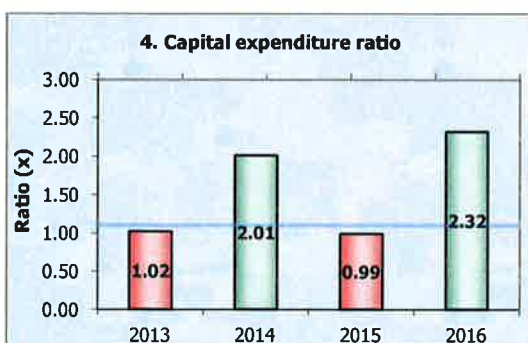
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result**2015/16 Ratio** 1.00 x

This indicator is currently being met



Ratio achieves benchmark
Ratio is outside benchmark

Benchmark: — Minimum > 1.10

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

Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2015/16 result**2015/16 Ratio** 2.32 x

This indicator is currently being met



Ratio achieves benchmark
Ratio is outside benchmark

Willoughby City Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	42,676	46,088
Plus or minus adjustments ⁽²⁾	b	376	92
Notional general income	c = (a + b)	43,052	46,180
Permissible income calculation			
Special variation percentage ⁽³⁾	d	6.90%	4.60%
Or rate peg percentage	e	0.00%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	2,971	2,124
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	46,023	48,304
Plus (or minus) last year's carry forward total	l	4	(1)
Less valuation objections claimed in the previous year	m	—	(60)
Sub-total	$n = (l + m)$	4	(61)
Total permissible income	$o = k + n$	46,027	48,243
Less notional general income yield	p	46,088	48,248
Catch-up or (excess) result	$q = o - p$	(61)	(5)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	60	3
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	$t = q + r - s$	(1)	(2)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



Willoughby City Council

Independent auditor's report Report on the Special Schedule No. 8

Report on the Special Schedule No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Willoughby City Council ("the Council") for the year ending 30 June 2017.

Councillors' responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Audit Opinion

In our opinion, Special Schedule No. 8 of the Willoughby City Council for the year ending 30 June 2017 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of the total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the council and the Office of Local Government.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'M Upcroft'.

Marc Upcroft
Partner

Sydney
12 October 2016

