

# Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2014

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*“...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 financial year ended 30 June 2014

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated 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 (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & 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 14 October 2014. Council has the power to amend and reissue these financial statements.
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## Willoughby City Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

### What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & 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 & ownership of the financial statements.

### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income & 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

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equipment.

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "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

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 5 primary financial statements.

### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize 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 & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

### Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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 13/14 financial year (& the 4 previous years) can be found at Note 28 of the financial statements.

# Willoughby City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2014

### Statement by Councillors and Management

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

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

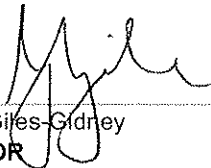
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

**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
- accords with Council's accounting and other records.

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

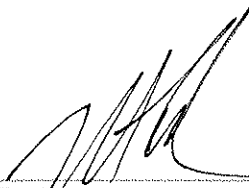
**Signed in accordance with a resolution of Council made on 13 October 2014.**



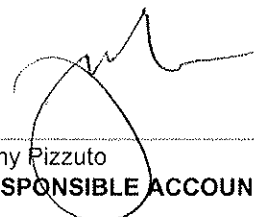
Gail Giles-Gidrey  
**MAYOR**



Tony Mustaca  
**DEPUTY MAYOR**



Nick Tobin  
**GENERAL MANAGER**



Tony Pizzuto  
**RESPONSIBLE ACCOUNTING OFFICER**

## Willoughby City Council

## Income Statement

for the financial year ended 30 June 2014

Budget <sup>1</sup> 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
54,623	Rates & Annual Charges	3a	54,439	52,209
18,984	User Charges & Fees	3b	17,429	18,221
2,018	Interest & Investment Revenue	3c	2,505	3,238
13,021	Other Revenues	3d	31,383	18,994
6,077	Grants & Contributions provided for Operating Purposes	3e,f	5,641 <sup>2</sup>	6,404
4,000	Grants & Contributions provided for Capital Purposes	3e,f	16,962	11,199
<i>Other Income:</i>				
171	Net gains from the disposal of assets	5	189	181
<b>98,894</b>	<b>Total Income from Continuing Operations</b>		<b>128,548</b>	<b>110,446</b>
<b>Expenses from Continuing Operations</b>				
41,865	Employee Benefits & On-Costs	4a	39,129	38,340
2,356	Borrowing Costs	4b	3,113	3,258
30,583	Materials & Contracts	4c	28,971	29,555
12,311	Depreciation & Amortisation	4d	11,895	11,753
-	Impairment	4d	-	-
12,886	Other Expenses	4e	13,300	12,465
5	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	3	8
<b>100,006</b>	<b>Total Expenses from Continuing Operations</b>		<b>96,411</b>	<b>95,379</b>
<b>(1,112)</b>	<b>Operating Result from Continuing Operations</b>		<b>32,137</b>	<b>15,067</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>(1,112)</b>	<b>Net Operating Result for the Year</b>		<b>32,137</b>	<b>15,067</b>
(1,112)	Net Operating Result attributable to Council		32,137	15,067
-	Net Operating Result attributable to Non-controlling Interests		-	-
<b>(5,112)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>15,175</b>	<b>3,868</b>

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

<sup>2</sup> Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

## Willoughby City Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> (as per Income statement)		<b>32,137</b>	<b>15,067</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	12,676	79,396
Adjustment to correct prior period errors		3,376	-
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>16,052</b>	<b>79,396</b>
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
<b>Total Other Comprehensive Income for the year</b>		<b>16,052</b>	<b>79,396</b>
<b>Total Comprehensive Income for the Year</b>		<b>48,189</b>	<b>94,463</b>
<b>Total Comprehensive Income attributable to Council</b>		48,189	94,463
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		-	-

## Willoughby City Council

## Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	6,688	22,619
Investments	6b	61,732	28,240
Receivables	7	4,710	6,744
Inventories	8	28	26
Other	8	391	445
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>73,549</b>	<b>58,074</b>
<b>Non-Current Assets</b>			
Investments	6b	3,016	4,365
Receivables	7	41	42
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	2,754,522	2,726,548
Investments accounted for using the equity method	19	61	64
Investment Property	14	64,903	61,940
Intangible Assets	25	-	-
<b>Total Non-Current Assets</b>		<b>2,822,543</b>	<b>2,792,959</b>
<b>TOTAL ASSETS</b>		<b>2,896,092</b>	<b>2,851,033</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	13,494	13,390
Borrowings	10	3,695	3,610
Provisions	10	10,868	11,170
<b>Total Current Liabilities</b>		<b>28,057</b>	<b>28,170</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	48,876	51,848
Provisions	10	388	433
<b>Total Non-Current Liabilities</b>		<b>49,264</b>	<b>52,281</b>
<b>TOTAL LIABILITIES</b>		<b>77,321</b>	<b>80,451</b>
<b>Net Assets</b>		<b>2,818,771</b>	<b>2,770,582</b>
<b>EQUITY</b>			
Retained Earnings	20	2,438,511	2,402,998
Revaluation Reserves	20	380,260	367,584
<b>Council Equity Interest</b>		<b>2,818,771</b>	<b>2,770,582</b>
<b>Non-controlling Interests</b>		<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>2,818,771</b>	<b>2,770,582</b>

## Willoughby City Council

Statement of Changes in Equity  
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		2,402,998	367,584	<b>2,770,582</b>	-	<b>2,770,582</b>
a. Correction of Prior Period Errors	20 (c)	3,376	-	<b>3,376</b>	-	<b>3,376</b>
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/13)</b>		<b>2,406,374</b>	<b>367,584</b>	<b>2,773,958</b>	-	<b>2,773,958</b>
<b>c. Net Operating Result for the Year</b>		<b>32,137</b>	-	<b>32,137</b>	-	<b>32,137</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	12,676	<b>12,676</b>	-	<b>12,676</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>12,676</b>	<b>12,676</b>	-	<b>12,676</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>32,137</b>	<b>12,676</b>	<b>44,813</b>	-	<b>44,813</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>2,438,511</b>	<b>380,260</b>	<b>2,818,771</b>	-	<b>2,818,771</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2013</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		2,387,931	288,188	<b>2,676,119</b>	-	<b>2,676,119</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/12)</b>		<b>2,387,931</b>	<b>288,188</b>	<b>2,676,119</b>	-	<b>2,676,119</b>
<b>c. Net Operating Result for the Year</b>		<b>15,067</b>	-	<b>15,067</b>	-	<b>15,067</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	79,396	<b>79,396</b>	-	<b>79,396</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>79,396</b>	<b>79,396</b>	-	<b>79,396</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>15,067</b>	<b>79,396</b>	<b>94,463</b>	-	<b>94,463</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>2,402,998</b>	<b>367,584</b>	<b>2,770,582</b>	-	<b>2,770,582</b>



## Willoughby City Council

## Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
54,574	Rates & Annual Charges		54,737	52,532
19,780	User Charges & Fees		21,887	18,771
2,018	Investment & Interest Revenue Received		2,153	2,951
10,077	Grants & Contributions		8,194	18,216
-	Bonds, Deposits & Retention amounts received		1,285	2,493
13,021	Other		31,827	18,910
<b>Payments:</b>				
(40,923)	Employee Benefits & On-Costs		(39,494)	(37,796)
(27,191)	Materials & Contracts		(31,999)	(31,978)
(2,356)	Borrowing Costs		(2,402)	(2,702)
-	Bonds, Deposits & Retention amounts refunded		(913)	(1,512)
(12,886)	Other		(15,881)	(14,106)
<b>16,114</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>29,394</b>	<b>25,779</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
57,000	Sale of Investment Securities		25,602	62,000
259	Sale of Infrastructure, Property, Plant & Equipment		296	325
<b>Payments:</b>				
(58,472)	Purchase of Investment Securities		(57,623)	(57,740)
-	Purchase of Investment Property		(181)	(410)
(9,825)	Purchase of Infrastructure, Property, Plant & Equipment		(9,809)	(11,986)
<b>(11,038)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(41,715)</b>	<b>(7,811)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
-	Proceeds from Borrowings & Advances		-	2,000
<b>Payments:</b>				
(3,455)	Repayment of Borrowings & Advances		(3,610)	(6,382)
<b>(3,455)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(3,610)</b>	<b>(4,382)</b>
<b>1,621</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(15,931)</b>	<b>13,586</b>
22,619	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	22,619	9,033
<b>24,240</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>6,688</b>	<b>22,619</b>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	64,748	32,605
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<b>71,436</b>	<b>55,224</b>

Please refer to Note 11 for additional cash flow information

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted 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) & 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 IFRS's, 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), Regulations and Local Government Code of Accounting Practice & 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

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

###### (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 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (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 & 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.

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.

##### **Critical judgements in applying Council's accounting policies**

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

##### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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.

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 first occurs.

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

Interest Income from Cash & 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 financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (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 which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

##### (iii) Joint Ventures

###### Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

###### Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

##### (iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other 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 Venture Entities & Partnerships.

Such entities are usually termed Associates.

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

##### (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

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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 is 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 which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & 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/intention for which the investment was acquired & 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 &/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.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

In contrast to the "Loans & 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 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 & 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.



## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### 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.

##### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money 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 holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (g) Fair value estimation

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

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

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (h) Receivables

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

Receivables (excluding Rates & 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 which are known to be uncollectible are written off in accordance with Council's policy.

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

##### (i) Inventories

###### 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.

###### 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)

## Willoughby City Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**  
(as approximated by depreciated historical cost)
- **Other Structures**  
(as approximated by depreciated historical cost)
- **Open Space/Recreational Assets**  
(External & Internal Valuation)
- **Other Assets**  
(as approximated by depreciated historical cost)

#### Initial Recognition

On initial recognition, an assets 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 date of recognition (ie. 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 & 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.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

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

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### Plant & Equipment

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

##### Buildings & Land Improvements

Park Furniture & Equipment	100% Capitalised
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##### Building

- Construction/extensions	100% Capitalised
- Renovations	100% Capitalised

##### Other Structures

100% Capitalised

##### Stormwater Assets

Drains & Culverts	20-30% Capitalised
Other	20-30% Capitalised

##### Transport Assets

Road construction & reconstruction	20-30% Capitalised
Reseal/Re-sheet & major repairs:	20-30% Capitalised
Bridge construction & reconstruction	20-30% Capitalised
Footpath construction & reconstruction	20-30% Capitalised
K&G construction & reconstruction	20-30% Capitalised

#### 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 is calculated using the straight line method in order to allocate an assets 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
- Office furniture	10 years
- Computer Equipment	5 years
- Vehicles & plant	5 years

##### Other Equipment

- Playground equipment	5 to 15 years
- Park furniture & equipment	10 to 20 years

##### Buildings

- Envelope	60 to 150 years
- Roof	15 to 65 years
- Floors	40 to 150 years

##### Buildings (continued)

- Floor coverings	15 to 80 years
- Internal fit-out	20 to 45 years
- Mechanical	25 to 35 years
- Transportation	15 years
- Fire protection	40 years

##### Stormwater Drainage

- Drains	140 years
- Culverts	140 years

##### Transportation Assets

- Sealed Roads: Surface	15-20 years
- Sealed Roads: Pavement	60 years
- Major Bridges	15-100 years
- Major Culverts	20 to 50 years
- Minor Structures	10-60 years
- Kerb & Gutter Concrete	70 years
- Footpaths Concrete	40 years
- Footpaths Bitumen	20 years

##### Land Improvements

5 to 50 years

##### Other Structures

10 to 100 years

##### Open Space/Recreational Assets 5 to 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.

#### 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.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### **(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.

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.

However should Council recognise any intangible assets these assets would be amortised on a straight line basis over periods generally ranging from 3 to 5 years.

##### **(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 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 &/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 year.

The last full revaluation for Council's Investment Properties was dated 30/06/2014.

##### **(q) Non-Current Assets (or Disposal Groups) "Held for Sale" & 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

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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.

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 & 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 which 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.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### **(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.

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 & 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.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (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.

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 Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers have been 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 2014 was \$ 877,864.

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 \$1,528,180 as at 30 June 2014.

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

For this reason, no liability for the deficiency has been recognised in 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



## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

the future payment of certain Leave Liabilities accrued as at 30/6/14.

##### (x) Self insurance

Council does not self insure.

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

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

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

##### 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 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.

##### (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 & 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, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which 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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

**Council has not adopted any of these standards early.**

Council's assessment of the impact of these new standards and interpretations is set out below.

##### Applicable to Local Government with implications:

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

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

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

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

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

**Applicable to Local Government but no implications for Council;**

***AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)***

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

**Applicable to Local Government but not relevant to Council at this stage;**

***AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)***

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

#### **Not applicable to Local Government per se;**

None

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

#### **(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 financial year ended 30 June 2014

### 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		Total Assets held (Current & Non-current)	
	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Governance	34	398	279	1,338	1,630	1,645	(1,304)	(1,232)	(1,366)	-	17	-	-
Administration	3,361	31,591	6,673	22,031	20,184	20,185	(18,670)	11,407	(13,512)	147	191	229,352	212,388
Public Order & Safety	4,674	4,912	4,806	2,890	4,453	4,278	1,784	459	528	-	-	1,935	1,901
Health	926	821	842	997	808	702	(71)	13	140	-	704	1,688	1,840
Environment	18,534	14,378	13,212	20,103	17,593	18,049	(1,569)	(3,215)	(4,837)	194	81	80,907	78,665
Community Services & Education	5,628	5,939	5,885	7,908	7,518	7,292	(2,280)	(1,579)	(1,407)	2,367	1,937	11,711	11,796
Housing & Community Amenities	2,084	2,445	2,879	6,036	5,910	6,162	(3,952)	(3,465)	(3,283)	464	-	32,909	32,579
Recreation & Culture	7,397	12,276	15,007	21,470	24,299	22,222	(14,073)	(12,023)	(7,215)	279	453	2,006,748	1,980,863
Mining, Manufacturing & Construction	372	385	337	1,365	1,283	1,279	(993)	(898)	(942)	-	-	-	-
Transport & Communication	8,593	6,984	12,403	14,682	11,387	12,179	(6,089)	(4,403)	224	22	-	399,882	400,954
Economic Affairs	6,888	4,005	3,253	1,181	1,343	1,378	5,707	2,662	1,875	-	-	130,899	129,983
<b>Total Functions &amp; Activities</b>	<b>58,491</b>	<b>84,134</b>	<b>65,576</b>	<b>100,001</b>	<b>96,408</b>	<b>95,371</b>	<b>(41,510)</b>	<b>(12,274)</b>	<b>(29,795)</b>	<b>3,473</b>	<b>3,383</b>	<b>2,896,031</b>	<b>2,850,969</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	5	3	8	(5)	(3)	(8)	-	-	61	64
General Purpose Income <sup>1</sup>	40,403	44,414	44,870	-	-	-	40,403	44,414	44,870	1,249	2,134	-	-
<b>Operating Result from Continuing Operations</b>	<b>98,894</b>	<b>128,548</b>	<b>110,446</b>	<b>100,006</b>	<b>96,411</b>	<b>95,379</b>	<b>(1,112)</b>	<b>32,137</b>	<b>15,067</b>	<b>4,722</b>	<b>5,517</b>	<b>2,896,092</b>	<b>2,851,033</b>

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

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### 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**

Costs relating to the 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, area representation and public disclosure and compliance.

#### **ADMINISTRATION**

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

#### **PUBLIC ORDER & SAFETY**

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

#### **HEALTH**

Inspection, immunisations, food control, health centres, other, administration.

#### **ENVIRONMENT**

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

#### **COMMUNITY SERVICES & EDUCATION**

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

#### **HOUSING & COMMUNITY AMENITIES**

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

#### **RECREATION & CULTURE**

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

#### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, abattoirs, quarries & pits, other.

#### **TRANSPORT & COMMUNICATION**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

#### **ECONOMIC AFFAIRS**

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

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		23,141	22,296
Business		17,716	17,427
<b>Total Ordinary Rates</b>		<b>40,857</b>	<b>39,723</b>
<b>Special Rates</b>			
Stormwater Management Levy		671	676
<b>Total Special Rates</b>		<b>671</b>	<b>676</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		12,911	11,810
<b>Total Annual Charges</b>		<b>12,911</b>	<b>11,810</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>54,439</b>	<b>52,209</b>
Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.			
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		286	162
<b>Total User Charges</b>		<b>286</b>	<b>162</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		1,909	1,635
Section 611 Charges		60	59
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,969</b>	<b>1,694</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Building Related		1,356	1,085
Child Care		2,381	2,372
Community Services		1,951	1,924
Leisure Centre		3,070	3,007
Parking Fees		4,269	4,038
Restoration Charges		1,344	3,239
Other		803	700
<b>Total Fees &amp; Charges - Other</b>		<b>15,174</b>	<b>16,365</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>17,429</b>	<b>18,221</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		48	103
- Interest earned on Investments (interest & coupon payment income)		2,335	2,197
- Receipt of Investment Principal previously written off		-	500
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		122	438
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>2,505</b>	<b>3,238</b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		48	103
General Council Cash & Investments		2,022	1,862
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		197	225
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		238	1,048
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b>2,505</b>	<b>3,238</b>
<b>(d) Other Revenues</b>			
Fair Value Adjustments - Investment Properties	14	2,782	3,414
Rental Income - Investment Properties	14	3,627	4,770
Rental Income - Other Council Properties		7,529	3,525
Fines		4,590	4,587
Legal Fees Recovery - Rates & Charges (Extra Charges)		57	38
Legal Fees Recovery - Other		70	36
Arts & Culture		6	11
Commissions & Agency Fees		5	5
Community Development		50	18
Cost Recovery - Lease 88 Archer Street		-	1,132
Council Property		238	90
General Administration		125	4
Insurance Claim Recoveries		298	196
Library Services		36	38
Melody Markets		566	490
Merchant Fee Recovery		81	77
Orchestra & Choir		8	98
Sale of Abandoned Vehicles		10	12
Sales - General		45	40
Services Recovery		69	89
Sponsorship		85	47
Street Fair		37	34
Compensation for Land Acquisition		10,829	-
Other		240	243
<b>TOTAL OTHER REVENUE</b>		<b>31,383</b>	<b>18,994</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	772	1,399	-	-
Financial Assistance - Local Roads Component	285	537	-	-
Pensioners' Rates Subsidies - General Component	192	198	-	-
<b>Total General Purpose</b>	<b>1,249</b>	<b>2,134</b>	<b>-</b>	<b>-</b>
<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	97	97	-	-
Community Care	2,367	1,937	-	-
Environment	115	-	79	81
Housing and Community Amenities	273	512	-	-
Recreation & Culture	244	426	35	28
Street Lighting	191	191	-	-
Traffic Route Subsidy	22	17	-	-
Other	50	94	-	-
<b>Total Specific Purpose</b>	<b>3,359</b>	<b>3,274</b>	<b>114</b>	<b>109</b>
<b>Total Grants</b>	<b>4,608</b>	<b>5,408</b>	<b>114</b>	<b>109</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	2,385	2,013	79	-
- State Funding	2,178	3,353	25	109
- Other Funding	45	42	10	-
	<b>4,608</b>	<b>5,408</b>	<b>114</b>	<b>109</b>



## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 93F - Contributions using Planning Agreements	-	-	110	-
S 94 - Contributions towards amenities/services	-	-	2,503	9,977
<b>Total Developer Contributions</b>	<b>17</b>	<b>-</b>	<b>2,613</b>	<b>9,977</b>
<b>Other Contributions:</b>				
Community Services	19	28	-	233
Land Dedications	-	-	14,115	-
Housing and Community Amenities	59	13	-	700
Other Councils - Joint Works/Services	45	29	-	-
Recreation & Culture	12	42	120	180
RMS Contributions (Regional Roads, Block Grant)	510	417	-	-
Environment	388	357	-	-
Transport	-	110	-	-
<b>Total Other Contributions</b>	<b>1,033</b>	<b>996</b>	<b>14,235</b>	<b>1,113</b>
<b>Total Contributions</b>	<b>1,033</b>	<b>996</b>	<b>16,848</b>	<b>11,090</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>5,641</b>	<b>6,404</b>	<b>16,962</b>	<b>11,199</b>

\$ '000	Actual 2014	Actual 2013
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## (g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	16,588	14,151
add: Grants & contributions recognised in the current period but not yet spent:	3,486	11,868
less: Grants & contributions recognised in a previous reporting period now spent:	(6,528)	(9,431)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(3,042)</b>	<b>2,437</b>
<b>Unexpended and held as Restricted Assets</b>	<b>13,546</b>	<b>16,588</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	691	1,773
- Developer Contributions	12,855	14,815
	<b>13,546</b>	<b>16,588</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		30,210	29,492
Travelling		84	80
Employee Leave Entitlements (ELE)		3,890	4,625
Superannuation		3,577	3,393
Workers' Compensation Insurance		1,046	1,100
Fringe Benefit Tax (FBT)		385	381
Training Costs (other than Salaries & Wages)		468	370
Other		54	77
<b>Total Employee Costs</b>		<b>39,714</b>	<b>39,518</b>
less: Capitalised Costs		(585)	(1,178)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>39,129</b>	<b>38,340</b>
Number of "Equivalent Full Time" Employees at year end		406	416
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		2,390	2,527
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>2,390</b>	<b>2,527</b>
<b>(ii) Other Borrowing Costs</b>			
Fair Value Adjustment on Loans (to Council)		723	731
<b>Total Other Borrowing Costs</b>		<b>723</b>	<b>731</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,113</b>	<b>3,258</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		3,007	2,716
Contractor & Consultancy Costs		24,421	24,699
Auditors Remuneration <sup>(1)</sup>		92	52
Audit Committee Fees		4	4
Legal Expenses:			
- Legal Expenses: Planning & Development		300	537
- Legal Expenses: Other		245	642
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		480	484
Other		422	421
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>28,971</u></b>	<b><u>29,555</u></b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		54	52
<b>Remuneration for audit and other assurance services</b>		<b><u>54</u></b>	<b><u>52</u></b>
<b>(ii) Taxation Services</b>			
- Tax compliance services		38	-
<b>Remuneration for taxation services</b>		<b><u>38</u></b>	<b><u>-</u></b>
<b>Total Auditor Remuneration</b>		<b><u>92</u></b>	<b><u>52</u></b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		384	374
Other		96	110
		<b><u>480</u></b>	<b><u>484</u></b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	841	999
Office Equipment		-	-	248	245
Furniture & Fittings		-	-	79	86
Land Improvements (depreciable)		-	-	102	94
Buildings - Non Specialised		-	-	53	53
Buildings - Specialised		-	-	1,284	1,284
Other Structures		-	-	302	245
Infrastructure:					
- Roads		-	-	4,095	4,067
- Bridges		-	-	264	254
- Footpaths		-	-	1,296	1,229
- Stormwater Drainage		-	-	1,519	1,429
- Swimming Pools		-	-	47	40
- Other Open Space/Recreational Assets		-	-	751	702
Other Assets					
- Library Books		-	-	546	548
- Other		-	-	468	478
<b><u>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</u></b>		<b>-</b>	<b>-</b>	<b>11,895</b>	<b>11,753</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		495	459
Bad & Doubtful Debts		98	85
Bank Charges		254	221
Child Care Assistance Fee Relief		527	416
Commissions and Agency Fees		606	613
Computer Operating Expenses		780	829
Concourse Venue Management		630	626
Contributions/Levies to Other Levels of Government			
- EPA Levy		216	211
- NSW Fire Brigade Levy		1,420	1,382
- Parking Space Levy		330	182
Councillor Expenses - Mayoral Fee		59	58
Councillor Expenses - Councillors' Fees		262	270
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		19	25
Donations, Contributions & Assistance to other organisations (Section 356)		321	266
Election Expenses		296	301
Electricity & Heating		2,065	1,747
Events & Community Projects		84	102
Insurance		1,686	1,692
Orchestra Costs		83	89
Street Lighting		828	932
Subscriptions & Publications		149	135
Telephone & Communications		528	508
Valuation Fees		119	115
Vehicle Registrations		120	122
Water Rates & Other Services		468	382
Other		857	697
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>13,300</u></b>	<b><u>12,465</u></b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		(73)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>(73)</b>	<b>-</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		296	325
less: Carrying Amount of P&E Assets Sold / Written Off		(34)	(144)
<b>Net Gain/(Loss) on Disposal</b>		<b>262</b>	<b>181</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		25,602	52,000
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(25,602)	(52,000)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>189</b>	<b>181</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		786	-	843	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		5,902	-	4,776	-
- Short Term Deposits		-	-	17,000	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>6,688</b>	<b>-</b>	<b>22,619</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Long Term Deposits		59,261	-	28,240	-
- Equity Linked Notes		991	-	-	957
- NCD's, FRN's (with Maturities > 3 months)		499	3,016	-	2,491
- CDO's		981	-	-	917
<b>Total Investments</b>		<b>61,732</b>	<b>3,016</b>	<b>28,240</b>	<b>4,365</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>68,420</b>	<b>3,016</b>	<b>50,859</b>	<b>4,365</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:**

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>6,688</b>	<b>-</b>	<b>22,619</b>	<b>-</b>
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**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	2,471	3,016	-	4,365
b. "Held to Maturity"	6(b-ii)	59,261	-	28,240	-
<b>Investments</b>		<b>61,732</b>	<b>3,016</b>	<b>28,240</b>	<b>4,365</b>

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 financial year ended 30 June 2014

## Note 6b. Investments (continued)

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	-	4,365	5,437	3,990
Revaluations (through the Income Statement)	-	122	-	438
Additions	-	1,000	-	2,500
Disposals (sales & redemptions)	-	-	-	(8,000)
Transfers between Current/Non Current	2,471	(2,471)	(5,437)	5,437
<b>Balance at End of Year</b>	<b>2,471</b>	<b>3,016</b>	<b>-</b>	<b>4,365</b>
<b>Comprising:</b>				
- Equity Linked Notes	991	-	-	957
- NCD's, FRN's (with Maturities > 3 months)	499	3,016	-	2,491
- CDO's	981	-	-	917
<b>Total</b>	<b>2,471</b>	<b>3,016</b>	<b>-</b>	<b>4,365</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	28,240	-	27,000	-
Additions	56,623	-	55,240	-
Disposals (sales & redemptions)	(25,602)	-	(54,000)	-
<b>Balance at End of Year</b>	<b>59,261</b>	<b>-</b>	<b>28,240</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	59,261	-	28,240	-
<b>Total</b>	<b>59,261</b>	<b>-</b>	<b>28,240</b>	<b>-</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil				
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil				



## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investments</b>	<b>68,420</b>	<b>3,016</b>	<b>50,859</b>	<b>4,365</b>
<b>attributable to:</b>				
External Restrictions (refer below)	17,900	3,016	14,305	4,365
Internal Restrictions (refer below)	39,618	-	28,543	-
Unrestricted	10,902	-	8,011	-
	<b>68,420</b>	<b>3,016</b>	<b>50,859</b>	<b>4,365</b>

2014 \$ '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)	1,889	-	(747)	1,142
<b>External Restrictions - Included in Liabilities</b>	<b>1,889</b>	<b>-</b>	<b>(747)</b>	<b>1,142</b>

**External Restrictions - Other**

Developer Contributions - General (D)	14,815	2,810	(4,770)	12,855
Specific Purpose Unexpended Grants (F)	1,773	562	(1,644)	691
Domestic Waste Management (G)	193	932	(305)	820
Site 1 - Cy Pres Scheme	-	4,680	-	4,680
Site 2 - Cy Pres Scheme	-	728	-	728
<b>External Restrictions - Other</b>	<b>16,781</b>	<b>9,712</b>	<b>(6,719)</b>	<b>19,774</b>
<b>Total External Restrictions</b>	<b>18,670</b>	<b>9,712</b>	<b>(7,466)</b>	<b>20,916</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details (continued)

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	578	589	-	1,167
Employees Leave Entitlement	2,260	-	(49)	2,211
Affordable Housing	1,491	40	(92)	1,439
Artarmon Redevelopment	62	-	-	62
Asset Improvement	1,888	250	(761)	1,377
Community Facilities	20	-	-	20
Constant Companion	137	-	(19)	118
Depot	2,816	560	-	3,376
Employee Overheads	432	384	(75)	741
Environmental Development Plan	637	430	(138)	929
Information Technology	962	398	(416)	944
Insurance Claims	179	-	-	179
Paid Parking	1,685	200	(146)	1,739
Property Plan	1,974	3,652	(877)	4,749
Regency Leisure Centre Trust	1,316	-	(1,316)	-
Regency Leisure Centre	2,940	-	(645)	2,295
Repair to Damage-Road and Footway	187	250	-	437
Stormwater Management	159	103	-	262
The Concourse	7,541	7,759	(5,982)	9,318
Innovation	513	67	-	580
CBD Event Activities	50	53	-	103
Sustainability Initiative	716	604	-	1,320
CBD Property	-	750	-	750
Open Space	-	5,452	-	5,452
Election	-	50	-	50
<b>Total Internal Restrictions</b>	<b>28,543</b>	<b>21,591</b>	<b>(10,516)</b>	<b>39,618</b>
<b>TOTAL RESTRICTIONS</b>	<b>47,213</b>	<b>31,303</b>	<b>(17,982)</b>	<b>60,534</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		756	41	1,053	42
User Charges & Fees		1,272	-	4,153	-
Accrued Revenues					
- Interest on Investments		573	-	343	-
- Other Income Accruals		665	-	501	-
Government Grants & Subsidies		562	-	85	-
Amounts due from Other Councils		106	-	-	-
Net GST Receivable		683	-	511	-
Other Debtors		299	-	206	-
<b>Total</b>		<b>4,916</b>	<b>41</b>	<b>6,852</b>	<b>42</b>
<b>less: Provision for Impairment</b>					
User Charges & Fees		(206)	-	(108)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(206)</b>	<b>-</b>	<b>(108)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>4,710</u></b>	<b><u>41</u></b>	<b><u>6,744</u></b>	<b><u>42</u></b>
<b>Externally Restricted Receivables</b>					
<b>Domestic Waste Management</b>		182	-	224	-
<b>Total External Restrictions</b>		<b>182</b>	<b>-</b>	<b>224</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>4,528</b>	<b>41</b>	<b>6,520</b>	<b>42</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>4,710</u></b>	<b><u>41</u></b>	<b><u>6,744</u></b>	<b><u>42</u></b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).  
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 financial year ended 30 June 2014

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		28	-	26	-
<b>Total Inventories</b>		<b>28</b>	<b>-</b>	<b>26</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		391	-	445	-
<b>Total Other Assets</b>		<b>391</b>	<b>-</b>	<b>445</b>	<b>-</b>
<b>TOTAL INVENTORIES/OTHER ASSETS</b>		<b>419</b>	<b>-</b>	<b>471</b>	<b>-</b>

**Externally Restricted Assets**

There are no restrictions applicable to the above assets.

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

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments (refer 20c)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	476	-	-	-	476	155	-	-	(178)	-	-	453	-	-	-	453
Plant & Equipment	-	7,026	4,940	-	2,086	800	(34)	(841)	-	-	-	-	6,903	4,892	-	2,011
Office Equipment	-	2,764	1,829	-	935	142	-	(248)	-	-	-	-	1,960	1,131	-	829
Furniture & Fittings	-	3,464	2,827	-	637	39	-	(79)	-	-	-	-	1,011	414	-	597
<b>Land:</b>																
- Operational Land	-	366,074	-	-	366,074	450	(70)	-	-	-	-	-	366,454	-	-	366,454
- Community Land	-	1,709,163	-	-	1,709,163	13,665	(3)	-	-	-	-	-	1,722,825	-	-	1,722,825
Land Improvements - depreciable	-	2,044	455	-	1,589	115	-	(102)	-	-	-	-	2,159	557	-	1,602
Buildings - Non Specialised	-	6,881	1,669	-	5,212	79	-	(53)	158	-	-	-	7,118	1,722	-	5,396
Buildings - Specialised	-	282,981	7,886	-	275,095	1,618	-	(1,284)	13	-	-	-	284,612	9,170	-	275,442
Other Structures	-	9,732	1,512	-	8,220	424	-	(302)	-	-	-	-	10,156	1,814	-	8,342
<b>Infrastructure:</b>																
- Roads	-	245,595	65,607	-	179,988	2,334	-	(4,095)	-	-	1,595	-	245,818	65,996	-	179,822
- Bridges	-	9,626	2,393	-	7,233	51	-	(264)	-	-	358	-	9,799	2,421	-	7,378
- Footpaths	-	61,260	9,199	-	52,061	1,067	-	(1,296)	-	-	288	-	61,394	9,274	-	52,120
- Bulk Earthworks (non-depreciable)	-	20,750	-	-	20,750	-	-	-	-	-	-	-	20,750	-	-	20,750
- Stormwater Drainage	-	112,861	34,283	-	78,578	1,031	-	(1,519)	-	-	2,777	-	113,191	32,324	-	80,867
- Swimming Pools	-	3,828	811	-	3,017	14	-	(47)	-	-	40	-	3,892	868	-	3,024
- Other Open Space/Recreational Assets	-	14,044	4,701	-	9,343	1,231	-	(751)	7	3,376	7,618	-	30,591	9,767	-	20,824
<b>Other Assets:</b>																
- Library Books	-	6,910	5,275	-	1,635	434	-	(546)	-	-	-	-	7,344	5,821	-	1,523
- Other	-	6,386	1,930	-	4,456	275	-	(468)	-	-	-	-	6,636	2,373	-	4,263
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>476</b>	<b>2,871,389</b>	<b>145,317</b>	<b>-</b>	<b>2,726,548</b>	<b>23,924</b>	<b>(107)</b>	<b>(11,895)</b>	<b>-</b>	<b>3,376</b>	<b>12,676</b>	<b>453</b>	<b>2,902,613</b>	<b>148,544</b>	<b>-</b>	<b>2,754,522</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$6,195) and New Assets (\$1,230).  
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 & Equipment.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

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\$ '000

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Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

#### Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

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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 financial year ended 30 June 2014

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		5,543	-	6,152	-
Payments Received In Advance		626	-	107	-
Accrued Expenses:					
- Borrowings		177	-	189	-
- Other Expenditure Accruals		341	-	476	-
Security Bonds, Deposits & Retentions		6,565	-	6,193	-
Other		242	-	273	-
<b>Total Payables</b>		<b>13,494</b>	<b>-</b>	<b>13,390</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		3,620	47,860	3,535	50,756
Deferred Payment Liabilities		75	1,016	75	1,092
<b>Total Borrowings</b>		<b>3,695</b>	<b>48,876</b>	<b>3,610</b>	<b>51,848</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		3,000	-	3,035	-
Long Service Leave		6,967	215	7,116	257
Gratuities		-	106	-	125
ELE On-Costs		807	14	815	21
Sub Total - Aggregate Employee Benefits		<b>10,774</b>	<b>335</b>	<b>10,966</b>	<b>403</b>
Public Liability Claims		94	53	204	30
<b>Total Provisions</b>		<b>10,868</b>	<b>388</b>	<b>11,170</b>	<b>433</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>28,057</b>	<b>49,264</b>	<b>28,170</b>	<b>52,281</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2014		2013	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		103	-	103	-
Other		2,000	-	2,156	-
Liabilities relating to externally restricted assets		<b>2,103</b>	<b>-</b>	<b>2,259</b>	<b>-</b>
<b>Internally Restricted Assets</b>					
Nil					
<b>Total Liabilities relating to restricted assets</b>		<b>2,103</b>	<b>-</b>	<b>2,259</b>	<b>-</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>25,954</b>	<b>49,264</b>	<b>25,911</b>	<b>52,281</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>28,057</b>	<b>49,264</b>	<b>28,170</b>	<b>52,281</b>

<sup>1</sup>: Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 10a. Payables, Borrowings &amp; Provisions (continued)

\$ '000	Actual 2014	Actual 2013
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**(ii) Current Liabilities not anticipated to be settled within the next 12 months**

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

Provisions - Employees Benefits	8,419	8,393
Payables - Security Bonds, Deposits & Retentions	5,296	4,901
	<u>13,715</u>	<u>13,294</u>

## Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	3,035	1,965	(2,000)	-	-	3,000
Long Service Leave	7,373	163	(354)	-	-	7,182
ELE On-Costs	836	(15)	-	-	-	821
Gratuities	125	(19)	-	-	-	106
Other	234	(87)	-	-	-	147
<b>TOTAL</b>	<b>11,603</b>	<b>2,007</b>	<b>(2,354)</b>	<b>-</b>	<b>-</b>	<b>11,256</b>

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.



## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	6,688	22,619
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>6,688</b>	<b>22,619</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>32,137</b>	<b>15,067</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		11,895	11,753
Net Losses/(Gains) on Disposal of Assets		(189)	(181)
Non Cash Capital Grants and Contributions		(14,115)	-
<b>Losses/(Gains) recognised on Fair Value Re-measurements through the P&amp;L:</b>			
- Investments classified as "At Fair Value" or "Held for Trading"		(122)	(438)
- Investment Properties		(2,782)	(3,414)
- Fair Valuation Adjustment (re-measurement) of existing Loans to Council		723	731
Share of Net (Profits) or Losses of Associates/Joint Ventures		3	8
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		1,937	1,861
Increase/(Decrease) in Provision for Doubtful Debts		98	(1,931)
Decrease/(Increase) in Inventories		(2)	1
Decrease/(Increase) in Other Assets		54	1,712
Increase/(Decrease) in Payables		(609)	(2)
Increase/(Decrease) in accrued Interest Payable		(12)	(175)
Increase/(Decrease) in other accrued Expenses Payable		(135)	(858)
Increase/(Decrease) in Other Liabilities		860	1,036
Increase/(Decrease) in Employee Leave Entitlements		(260)	654
Increase/(Decrease) in Other Provisions		(87)	(45)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>29,394</b>	<b>25,779</b>
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Land Dedications		14,115	-
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>14,115</b>	<b>-</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		1,200	1,200
<b>Total Financing Arrangements</b>		<b>1,200</b>	<b>1,200</b>

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 & Other Payables are disclosed in Note 15.

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		2,435	2,642
Other Structures		739	674
Other Assets		1,100	2,004
Carparks		-	114
Roads		121	534
Drainage		99	19
Bridges		183	-
Swimming Pools		134	-
Open Space		966	-
<b>Investment Property</b>			
- Buildings		410	-
<b>Total Commitments</b>		<b>6,187</b>	<b>5,987</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		6,187	5,987
<b>Total Payable</b>		<b>6,187</b>	<b>5,987</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		567	969
Sect 64 & 94 Funds/Reserves		839	947
Unexpended Grants		10	301
Other Reserves		4,771	3,055
Other Revenues		-	715
<b>Total Sources of Funding</b>		<b>6,187</b>	<b>5,987</b>

**(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	364	391
Later than one year and not later than 5 years	447	435
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>811</b>	<b>826</b>

**b. Non Cancellable Operating Leases include the following assets:**

Computer &amp; Other Plant &amp; 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 financial year ended 30 June 2014

## Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013      2012	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<u>12,808</u>	<b>11.81%</b>	0.60%	-7.94%
Total continuing operating revenue <sup>(1)</sup> (excl. Capital Grants & Contributions)	<b>108,493</b>			
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(less ALL Grants &amp; Contributions)</u>	<u>102,852</u>	<b>81.98%</b>	83.46%	86.57%
Total continuing operating revenue <sup>(1)</sup>	<b>125,455</b>			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>55,467</u>	<b>4.53 : 1</b>	3.45	3.04
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>12,239</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>27,816</u>	<b>4.64</b>	1.75	1.06
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>6,000</u>			
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>797</u>	<b>1.43%</b>	2.04%	2.77%
Rates, Annual and Extra Charges Collectible	<u>55,639</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>65,949</u>	<b>8.39</b>	6.46	4.34
Payments from cash flow of operating and financing activities	<u>7,858</u>			

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

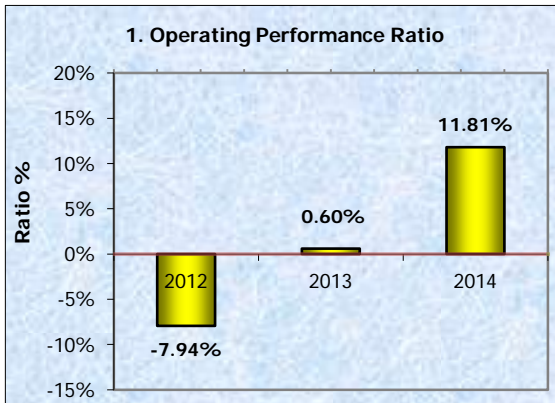
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

# Willoughby City Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



**Purpose of Operating Performance Ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

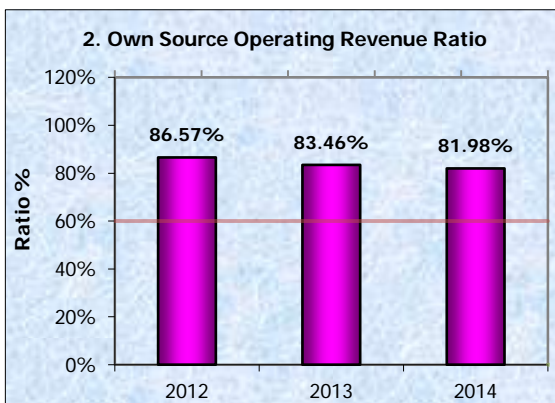
**Commentary on 2013/14 Result**

**2013/14 Ratio 11.81%**

The positive result for 2013/2014 is heavily resultant on a \$10.829M compensation payment awarded to the Council for the compulsory acquisition of land.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**Purpose of Own Source Operating Revenue Ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

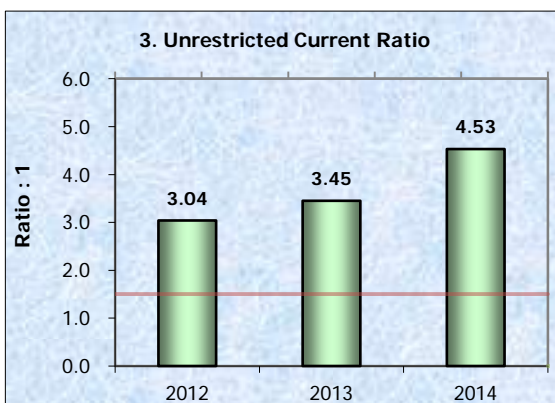
**Commentary on 2013/14 Result**

**2013/14 Ratio 81.98%**

The Ratio compares adequately to the Benchmark of 60%.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**Purpose of Unrestricted Current Ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2013/14 Result**

**2013/14 Ratio 4.53 : 1**

The positive result is heavily influenced by an increase on 12/13 in Cash/Equivalents and Investments of \$17.561M. It compares positively to the Industry Benchmark of 1.5:1

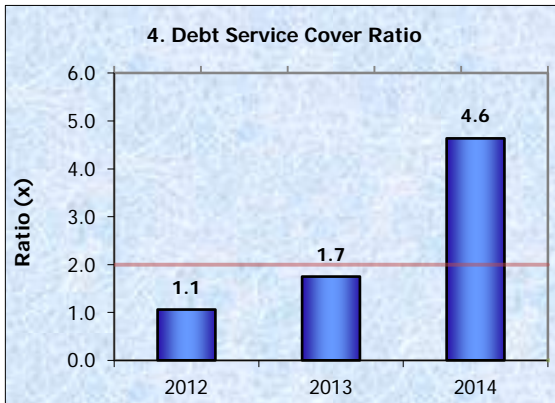
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

# Willoughby City Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



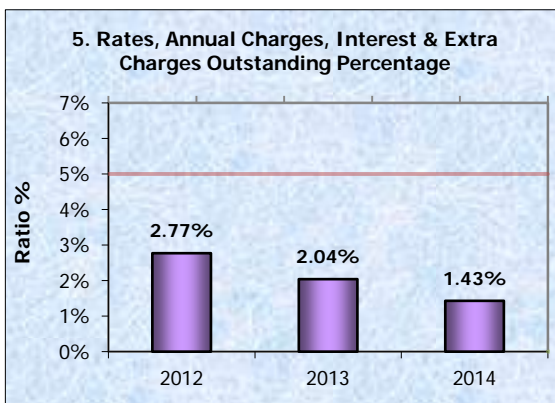
— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

**Purpose of Debt Service Cover Ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2013/14 Result	
<b>2013/14 Ratio</b>	<b>4.64</b>
<p>The improved indicator suggests that Council's defined annual Operating Result maintains the capacity to meet its annual debt requirements. The 13/14 result exceeds the Benchmark of 2.0.</p>	



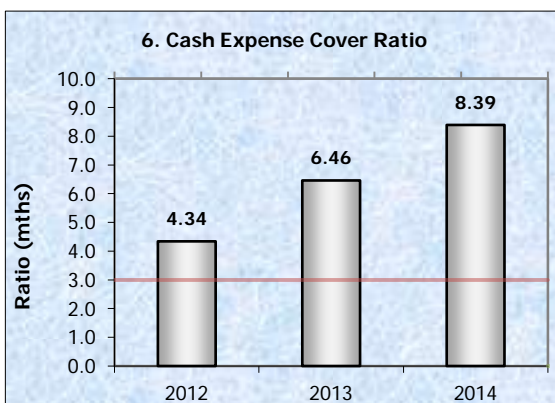
— Maximum 5.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

**Purpose of Rates & Annual Charges Outstanding Ratio**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2013/14 Result	
<b>2013/14 Ratio</b>	<b>1.43%</b>
<p>The continued improvement within this indicator can be linked to both capacity to pay and internal policy. It compares very favourably to the Benchmark of 5%.</p>	



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

**Purpose of Cash Expense Cover Ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on Result	
<b>2013/14 Ratio</b>	<b>8.39</b>
<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 financial year ended 30 June 2014

## Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Investment Properties at Fair value</b>			
<b>Investment Properties on Hand</b>		<b>64,903</b>	<b>61,940</b>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		61,940	41,960
- Capitalised Expenditure - this year		181	410
- Net Gain/(Loss) from Fair Value Adjustments		2,782	3,414
- Transfers from/(to) Owner Occupied (Note 9)		-	16,156
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b>64,903</b>	<b>61,940</b>
<b>(b) Valuation Basis</b>			
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 2014 revaluations were based on Independent Assessments made by: Daniel Atherton - Registered Valuer B Bus (RE & Dev) GAPI - APV Valuers and Asset Management			
<b>(c) Leasing Arrangements</b>			
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		4,884	4,578
Later than 1 year but less than 5 years		16,551	16,017
Later than 5 years		14,760	15,454
<b>Total Minimum Lease Payments Receivable</b>		<b>36,195</b>	<b>36,049</b>
<b>(d) Investment Property Income &amp; Expenditure - summary</b>			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		3,627	4,770
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(491)	(534)
<b>Net Revenue Contribution from Investment Properties</b>		<b>3,136</b>	<b>4,236</b>
plus:			
<b>Fair Value Movement for year</b>		<b>2,782</b>	<b>3,414</b>
<b>Total Income attributable to Investment Properties</b>		<b>5,918</b>	<b>7,650</b>

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 financial year ended 30 June 2014

#### 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 & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	6,688	22,619	6,688	22,619
Investments				
- "Designated At Fair Value on Initial Recognition"	5,487	4,365	5,487	4,365
- "Held to Maturity"	59,261	28,240	59,261	28,240
Receivables	4,751	6,786	4,751	6,786
<b>Total Financial Assets</b>	<b>76,187</b>	<b>62,010</b>	<b>76,187</b>	<b>62,010</b>
<b>Financial Liabilities</b>				
Payables	12,868	13,283	12,868	13,283
Loans / Advances	52,571	55,458	52,571	55,458
<b>Total Financial Liabilities</b>	<b>65,439</b>	<b>68,741</b>	<b>65,439</b>	<b>68,741</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & 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 & liabilities

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio.

Council has an Investment Policy which complies with the Local Government Act & 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.

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
<b>2014</b>				
Possible impact of a 10% movement in Market Values	549	549	(549)	(549)
Possible impact of a 1% movement in Interest Rates	660	660	(660)	(660)
<b>2013</b>				
Possible impact of a 10% movement in Market Values	437	437	(437)	(437)
Possible impact of a 1% movement in Interest Rates	509	509	(509)	(509)



## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Receivables

Council's major receivables comprise **(i) Rates & Annual charges** and **(ii) User Charges & Fees**.

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

Council makes suitable provision for doubtful receivables as required.

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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	0%	71%	0%	2%
Overdue	100%	29%	100%	98%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

##### (ii) Ageing of Receivables - value

Current (not yet overdue)	-	2,957	-	130
Past due by up to 30 days	-	112	-	1,062
Past due between 31 and 60 days	358	215	476	-
Past due between 61 and 90 days	-	28	-	-
Past due by more than 90 days	439	848	619	4,607
	<b>797</b>	<b>4,160</b>	<b>1,095</b>	<b>5,799</b>

##### (iii) Movement in Provision for Impairment of Receivables

	2014	2013
Balance at the beginning of the year	108	2,039
+ new provisions recognised during the year	149	104
- amounts already provided for & written off this year	(33)	(1,122)
- amounts provided for but recovered during the year	(18)	(913)
<b>Balance at the end of the year</b>	<b>206</b>	<b>108</b>

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & 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		
<b>2014</b>									
Trade/Other Payables	6,565	6,303	-	-	-	-	-	12,868	12,868
Loans & Advances	-	5,972	11,924	4,071	4,619	2,582	76,186	105,354	52,571
<b>Total Financial Liabilities</b>	<b>6,565</b>	<b>12,275</b>	<b>11,924</b>	<b>4,071</b>	<b>4,619</b>	<b>2,582</b>	<b>76,186</b>	<b>118,222</b>	<b>65,439</b>
<b>2013</b>									
Trade/Other Payables	6,193	7,090	-	-	-	-	-	13,283	13,283
Loans & Advances	-	6,037	3,989	12,022	6,168	4,625	78,781	111,622	55,458
<b>Total Financial Liabilities</b>	<b>6,193</b>	<b>13,127</b>	<b>3,989</b>	<b>12,022</b>	<b>6,168</b>	<b>4,625</b>	<b>78,781</b>	<b>124,905</b>	<b>68,741</b>

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Loans & Advances - Fixed Interest Rate	15,479	6.2%	16,637	6.2%
Loans & Advances - Variable Interest Rate	37,092	3.8%	38,821	3.8%
	<u>52,571</u>		<u>55,458</u>	

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 13 May 2013.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the 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	2014 Budget	2014 Actual	2014 ----- Variance* -----	2014 -----	-----
<b>REVENUES</b>					
Rates & Annual Charges	54,623	54,439	(184)	(0%)	<b>U</b>
User Charges & Fees	18,984	17,429	(1,555)	(8%)	<b>U</b>
Interest & Investment Revenue	2,018	2,505	487	24%	<b>F</b>
The positive variance can be attributed to an unbudgeted fair value increment on Investments which realised \$121K and the actual annual return on investments exceeding original expectations.					
Other Revenues	13,021	31,383	18,362	141%	<b>F</b>
The positive variance can in the main be attributed to an unbudgeted fair value increment on Investment Properties of \$2.782M together with an unbudgeted compensation payment relating to a Compulsory Land acquisition of \$10.829M.					
Operating Grants & Contributions	6,077	5,641	(436)	(7%)	<b>U</b>
Capital Grants & Contributions	4,000	16,962	12,962	324%	<b>F</b>
The positive variance can be attributed to budgeted S94 contributions received being under budget by \$1.3M which was offset by a non cash dedication of land valued at \$14.115M					
Net Gains from Disposal of Assets	171	189	18	11%	<b>F</b>
The positive variance is resultant from a number of vehicles being were sold during the year that had been fully depreciated which resulted in a greater gain on disposal than was anticipated.					

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>41,865</b>	<b>39,129</b>	<b>2,736</b>	7%	<b>F</b>
<b>Borrowing Costs</b>	<b>2,356</b>	<b>3,113</b>	<b>(757)</b>	(32%)	<b>U</b>
The negative variance can be attributed to an unbudgeted fair valuation of Council's CPI Linked Loan					
<b>Materials &amp; Contracts</b>	<b>30,583</b>	<b>28,971</b>	<b>1,612</b>	5%	<b>F</b>
<b>Depreciation &amp; Amortisation</b>	<b>12,311</b>	<b>11,895</b>	<b>416</b>	3%	<b>F</b>
<b>Other Expenses</b>	<b>12,886</b>	<b>13,300</b>	<b>(414)</b>	(3%)	<b>U</b>
<b>Share of Net Losses - Joint Ventures &amp; Associates</b>	<b>5</b>	<b>3</b>	<b>2</b>	40%	<b>F</b>
The actual was lower than what was budgeted for and is a positive result					

**Budget Variations relating to Council's Cash Flow Statement include:**

<b>Cash Flows from Operating Activities</b>	<b>16,114</b>	<b>29,394</b>	<b>13,280</b>	82.4%	<b>F</b>
---	---------------	---------------	---------------	-------	----------

The positive variance can be linked to the unbudgeted flow of funds from the compensation payment detailed above of \$10.829M together with savings in budgeted employee costs of \$1.4M.

<b>Cash Flows from Investing Activities</b>	<b>(11,038)</b>	<b>(41,715)</b>	<b>(30,677)</b>	277.9%	<b>U</b>
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The variance is based on the lower than anticipated requirement to sell investments during the year.

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS & LEVIES**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	5	-	-	-	(61)	56	-	51	(64)	(13)	(56)
Roads	1,972	-	-	29	(138)	-	1,863	-	(422)	1,441	-
Traffic Facilities	3,575	47	-	44	(735)	-	2,931	15,881	(23,296)	(4,484)	-
Parking	1,203	-	-	10	(534)	-	679	2,600	(1,881)	1,398	-
Open Space/Community Facilities	917	210	-	(19)	(2,402)	1,294	-	11,908	(9,888)	2,020	(1,294)
Child Care	5,695	21	-	89	-	(1,350)	4,455	1,018	(5,835)	(362)	1,350
(R/A) Inc Non CBD	833	1,399	-	27	(400)	-	1,859	-	(1,859)	-	-
(R/A) Inc CBD	591	826	-	16	(500)	-	933	-	(933)	-	-
<b>S94 Contributions - under a Plan</b>	<b>14,791</b>	<b>2,503</b>	-	<b>196</b>	<b>(4,770)</b>	-	<b>12,720</b>	<b>31,458</b>	<b>(44,178)</b>	-	-
<b>Total S94 Revenue Under Plans</b>	<b>14,791</b>	<b>2,503</b>	-	<b>196</b>	<b>(4,770)</b>	-	<b>12,720</b>				-
S94 not under Plans	24	-	-	1	-	-	25	-	(25)	-	-
S93F Planning Agreements	-	110	-	-	-	-	110				
<b>Total Contributions</b>	<b>14,815</b>	<b>2,613</b>	-	<b>197</b>	<b>(4,770)</b>	-	<b>12,855</b>	<b>31,458</b>	<b>(44,203)</b>	-	-

# Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### 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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	5	-	-	-	(61)	56	-	51	(64)	(13)	(56)
Roads	1,972	-	-	29	(138)	-	1,863	-	(422)	1,441	-
Traffic Facilities	3,575	47	-	44	(735)	-	2,931	15,881	(23,296)	(4,484)	-
Parking	1,203	-	-	10	(534)	-	679	2,600	(1,881)	1,398	-
Open Space/Community Facilities	917	210	-	(19)	(2,402)	1,294	-	11,908	(9,888)	2,020	(1,294)
Child Care	5,695	21	-	89	-	(1,350)	4,455	1,018	(5,835)	(362)	1,350
(R/A) Inc Non CBD	833	1,399	-	27	(400)	-	1,859	-	(1,859)	-	-
(R/A) Inc CBD	591	826	-	16	(500)	-	933	-	(933)	-	-
<b>Total</b>	<b>14,791</b>	<b>2,503</b>	<b>-</b>	<b>196</b>	<b>(4,770)</b>	<b>-</b>	<b>12,720</b>	<b>31,458</b>	<b>(44,178)</b>	<b>-</b>	<b>-</b>

#### 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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	22	-	-	1	-	-	23	-	(23)	-	-
Parking	2	-	-	-	-	-	2	-	(2)	-	-
<b>Total</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>(25)</b>	<b>-</b>	<b>-</b>

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 18. Contingencies & 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 & 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 Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 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 financial year ended 30 June 2014

#### Note 18. Contingencies & 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 Councils 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 4 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 & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at 30 June 2014, 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 financial year ended 30 June 2014

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

##### ASSETS NOT RECOGNISED:

##### (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.

#### Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

Council's objectives can and in some cases are best met through the use of separate entities & 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 Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows:

##### Associated Entities & Joint Venture Entities

*Note 19(a) (i)&(ii)*

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

##### Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture 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) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) 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 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	-	-	-	-
Joint Venture Entities	(3)	(8)	61	64
<b>Total</b>	<b>(3)</b>	<b>(8)</b>	<b>61</b>	<b>64</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 19. Controlled Entities, Associated Entities &amp; Interests in Joint Ventures

\$ '000

## (a) Associated Entities &amp; Joint Venture Entities

## (i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

## (ii) JOINT VENTURE ENTITIES

## (a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Shorelink Library Network	Public Library Services	61	64
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>61</b>	<b>64</b>

## (b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Shorelink Library Network	33%	29%	24%	24%		

## (c) Movement in Carrying Amounts

	Shorelink Library Network	
	2014	2013
Opening Balance	64	72
Share in Operating Result	(3)	(8)
<b>Council's Equity Share in the Joint Venture Entity</b>	<b>61</b>	<b>64</b>

## (d) Share of Joint Ventures Assets &amp; Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2014</b>					
Shorelink Library Network	73	6	18	-	61
<b>Totals</b>	<b>73</b>	<b>6</b>	<b>18</b>	<b>-</b>	<b>61</b>
<b>2013</b>					
Shorelink Library Network	70	12	18	-	64
<b>Totals</b>	<b>70</b>	<b>12</b>	<b>18</b>	<b>-</b>	<b>64</b>

## (e) Share of Joint Ventures Revenues, Expenses &amp; Results

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Shorelink Library Network	190	193	(3)	174	182	(8)
<b>Totals</b>	<b>190</b>	<b>193</b>	<b>(3)</b>	<b>174</b>	<b>182</b>	<b>(8)</b>

## Willoughby City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		2,402,998	2,387,931
a. Correction of Prior Period Errors	20 (c)	3,376	-
b. Net Operating Result for the Year		32,137	15,067
<b>Balance at End of the Reporting Period</b>		<b><u>2,438,511</u></b>	<b><u>2,402,998</u></b>
<b>(b) Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		380,260	367,584
<b>Total</b>		<b><u>380,260</u></b>	<b><u>367,584</u></b>
<b>(ii) Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		367,584	288,188
- Revaluations for the year	9(a)	12,676	79,396
<b>- Balance at End of Year</b>		<b><u>380,260</u></b>	<b><u>367,584</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>380,260</u></b>	<b><u>367,584</u></b>
<b>(iii) Nature &amp; Purpose of Reserves</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			
<b>(c) Correction of Error/s relating to a Previous Reporting Period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
- First time recognition of Assets relating to Parks, Playgrounds and Sporting Fields		3,376	-
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Closing Equity - 30/6/13 (relating to adjustments for the 30/6/13 year end)		3,376	-
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<b><u>3,376</u></b>	<b><u>-</u></b>
<b>(d) Voluntary Changes in Accounting Policies</b>			
Council made no voluntary changes in any accounting policies during the year.			

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 21. Financial Result & Financial Position by Fund

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\$ '000

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Council utilises only a General Fund for its operations.

#### Note 22. "Held for Sale" Non Current Assets & Disposal Groups

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Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 23. Events occurring after the Reporting Date

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Events that occur between the end of the reporting period (ending 30 June 2014) 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 14/10/14.

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 2014.

**(ii) Events that provide evidence of conditions that arose after the Reporting Period**

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

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

#### Note 24. Discontinued Operations

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

## Willoughby City Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 25. Intangible Assets

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\$ '000

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Intangible Assets represent identifiable non-monetary asset 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 & Restoration Liabilities

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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 financial year ended 30 June 2014

## 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
- Investment Property
- Financial Assets & Liabilities

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 & recognised at fair values:**

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Financial Assets</b>					
Investments					
At Fair Value through profit or loss	30/06/14	-	-	5,487	5,487
<b>Total Financial Assets</b>		<b>-</b>	<b>-</b>	<b>5,487</b>	<b>5,487</b>
<b>Financial Liabilities</b>					
Loans	30/06/14	-	-	32,092	32,092
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>32,092</b>	<b>-</b>
<b>Investment Properties</b>					
Retail & Commercial Premises	30/06/14	-	-	64,903	64,903
<b>Total Investment Properties</b>		<b>-</b>	<b>-</b>	<b>64,903</b>	<b>64,903</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant & Equipment	30/06/14	-	-	2,011	2,011
Office Equipment	30/06/14	-	-	829	829
Furniture & Fittings	30/06/14	-	-	597	597
Operational Land	30/06/14	-	-	366,454	366,454
Community Land	30/06/14	-	-	1,722,825	1,722,825
Land Improvements Depreciable	30/06/14	-	-	1,602	1,602
Buildings-Non Specialised	30/06/14	-	-	5,396	5,396
Buildings-Specialised	30/06/14	-	-	275,442	275,442
Other Structures	30/06/14	-	-	8,342	8,342
Roads	30/06/14	-	-	179,822	179,822
Bridges	30/06/14	-	-	7,378	7,378
Footpaths	30/06/14	-	-	52,120	52,120
Bulk Earthworks	30/06/14	-	-	20,750	20,750
Stormwater Drainage	30/06/14	-	-	80,867	80,867
Swimming Pools	30/06/14	-	-	3,024	3,024
Other Open Space/Recreational	30/06/14	-	-	20,824	20,824
Library Books	30/06/14	-	-	1,523	1,523
Other	30/06/14	-	-	4,263	4,263
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>2,754,069</b>	<b>2,754,069</b>

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 27. Fair Value Measurement

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#### (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) Capital Protected Notes (Equity Basket Linked S29)
- b) CDO - Starts (HSBC)
- c) FRN's – Greater Building Society, Bendigo & Adelaide Bank, Credit Union Australia, Select Access

Council obtains valuations from its Investment Advisor on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up to date valuation. 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. The Capital Protected Note has converted to a term deposit exposure with the underlying Capital Protection Provider. There has been no change in the valuation process during the reporting period.

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#### 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.

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#### 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 2014. 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.

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

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 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.

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#### 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 changes 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 2013 by APV Valuers and Asset Management.

##### Land Improvements - Depreciable

This asset class comprises land improvements such as walking tracks. These assets may be located on parks, reserves and also within road reserves. 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.

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



## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

##### **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 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 has been no changes in the valuation process during the reporting period.

##### **Other Structures**

This asset class comprises assets such as The Chatswood Solar Farm, Public Art structures 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.

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

##### **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. 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.

##### **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 financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

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 has historically been valued at cost but disclosed at fair value in the accounts, however effective 30 June 2014 has now been 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.

##### **Other Assets**

This class of asset includes pay and display parking machines and CCTV devices. 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.

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

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## Willoughby City Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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

##### **(a) Changes in Level 3 Fair Value Asset Classes during the year are disclosed in the following notes:**

Investment Properties - See Note 14

All other asset classes shown under Infrastructure, Property, Plant and Equipment – See Note 9(a)

##### **(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.

##### **(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).

## Willoughby City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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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
- 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 financial year ended 30 June 2014

#### Note 28. Financial Review

\$ '000

#### Key Financial Figures of Council over the past 5 years (consolidated)

<b>Financial Performance Figures</b>	<b>2014</b>	<b>2013</b>	2012	2011	2010
<b>Inflows:</b>					
Rates & Annual Charges Revenue	<b>54,439</b>	52,209	49,605	47,379	45,849
User Charges Revenue	<b>17,429</b>	18,221	17,002	15,781	14,910
Interest & Investment Revenue (Losses)	<b>2,505</b>	3,238	3,046	3,893	5,541
Grants Income - Operating & Capital	<b>4,722</b>	5,517	6,786	7,882	7,273
Total Income from Continuing Operations	<b>128,548</b>	110,446	103,452	108,893	90,162
Sale Proceeds from I,PP&E	<b>296</b>	325	26,744	2,978	501
New Loan Borrowings & Advances	-	2,000	-	25,000	3,300
<b>Outflows:</b>					
Employee Benefits & On-cost Expenses	<b>39,129</b>	38,340	37,173	36,305	34,268
Borrowing Costs	<b>3,113</b>	3,258	3,682	3,472	1,938
Materials & Contracts Expenses	<b>28,971</b>	29,555	29,581	26,811	24,771
Total Expenses from Continuing Operations	<b>96,411</b>	95,379	96,521	87,840	79,806
Total Cash purchases of I,PP&E	<b>9,809</b>	11,986	20,492	62,219	82,449
Total Loan Repayments (incl. Finance Leases)	<b>3,610</b>	6,382	4,306	1,189	756
Operating Surplus/(Deficit) (excl. Capital Income)	<b>15,175</b>	3,868	471	13,995	4,472
<b>Financial Position Figures</b>	<b>2014</b>	<b>2013</b>	2012	2011	2010
Current Assets	<b>73,549</b>	58,074	50,328	55,161	54,870
Current Liabilities	<b>28,057</b>	28,170	25,149	25,465	29,692
Net Current Assets	<b>45,492</b>	29,904	25,179	29,696	25,178
Available Working Capital (Unrestricted Net Current Assets)	<b>4,364</b>	3,667	430	18,980	2,906
Cash & Investments - Unrestricted	<b>10,902</b>	8,011	5,277	2,499	7,614
Cash & Investments - Internal Restrictions	<b>39,618</b>	28,543	25,861	16,264	39,833
Cash & Investments - Total	<b>71,436</b>	55,224	45,460	35,472	56,659
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	<b>52,571</b>	55,458	59,109	62,689	38,135
Total Value of I,PP&E (excl. Land & Earthworks)	<b>793,037</b>	775,878	753,666	749,807	730,872
Total Accumulated Depreciation	<b>148,544</b>	145,317	147,107	150,908	152,755
Indicative Remaining Useful Life (as a % of GBV)	81%	81%	80%	80%	79%

**Source:** Published audited financial statements of Council (current year & prior year)

## Willoughby City Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 29. Council Information & Contact Details

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**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](http://www.willoughby.nsw.gov.au)

**Email:** [email@willoughby.nsw.gov.au](mailto:email@willoughby.nsw.gov.au)

**Officers****GENERAL MANAGER**

Nick Tobin

**RESPONSIBLE ACCOUNTING OFFICER**

Tony Pizzuto

**PUBLIC OFFICER**

Jeff Knight

**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



## **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 accompany financial statements of Willoughby City Council, which comprise the statement of financial position as at 30 June 2014 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 and the Projections disclosed in note 17 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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T +61 2 8266 0000, F +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.



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 of 30 June 2014 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 blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz  
Partner

Sydney  
14 October 2014





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

Dear Councillor Giles-Gidney

## **Report on the conduct of the Audit for year ended 30 June 2014 – Section 417(3)**

We have completed our audit of the financial reports of the Willoughby Council for the year ended 30 June 2014, 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 improved from \$15 million to \$32 million during the period under review. The result before capital items was a surplus of \$15.2 million up from \$3.9million in the previous year.

Compensation for the compulsory acquisition of land by the RMS (\$10.8 million) and dedications of land to Council (\$14.1 million) contributed to this improvement.

### **Cash Position**

Council's overall cash position increased from \$55 million to \$72 million during the period under review. The following table highlights the composition of cash.

	<b>June 2013</b>	<b>June 2014</b>
	<b>\$m</b>	<b>\$m</b>
Externally restricted	18	21
Internally restricted	29	40
Unrestricted	8	11
<b>Total</b>	<b>55</b>	<b>72</b>

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T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)



**Working Capital**

Council’s net current assets increased from \$30 million to \$45 million during the period under review.

The value of net current assets needs to be adjusted in order to establish Council’s available working capital.

	<b>June 2013</b>	<b>June 2014</b>
	<b>\$m</b>	<b>\$m</b>
Net current assets	30	45
Less:		
External restrictions	14	18
Internal restrictions	29	40
	<u>(13)</u>	<u>(13)</u>
Add:		
Current Liabilities not expected to be settled in next 12 months	15	16
Available Working Capital	<u>2</u>	<u>3</u>

The effective unrestricted or available working capital upon which Council could build its 2014/15 budget upon was \$3 million.

**Performance Indicators**

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

	<b>June 2013</b>	<b>June 2014</b>
	<b>%</b>	<b>%</b>
Operating Performance Ratio	1	12
Own Source Operating Revenue Ratio	83	82
Unrestricted Current Ratio	345	453
Debit Service Cover Ratio	1.7	4.5
Rates Outstanding Ratio	2.0	1.4
Cash Expense Cover Ratio	6	8

The Operating Performance Ratio improved and was well above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio declined but remained well above the industry benchmark of 60%.

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

The Debt Service Cover Ratio improved to be above the industry benchmark of 2.

The Rates Outstanding Ratio improved and remained better than the industry benchmark of 5%.

The Cash Expense Cover Ratio improved and was also better than the industry benchmark of 3 months.

Council is considered to be in a sound and stable financial position. All indicators are better than accepted industry benchmarks.



**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 his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'P L Buchholz', written in a cursive style.

PricewaterhouseCoopers

A second handwritten signature in blue ink, appearing to read 'P L Buchholz', written in a cursive style.

P L Buchholz  
Partner  
Sydney

Sydney  
14 October 2014

# Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2014

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*“...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 financial year ended 30 June 2014

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	7
<b>3. Notes to the Special Purpose Financial Statements</b>	11
<b>4. Auditor's Report</b>	15

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#### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(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 & public reporting applies only to declared business activities.

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

(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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

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# Willoughby City Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2014

### Statement by Councillors and Management

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

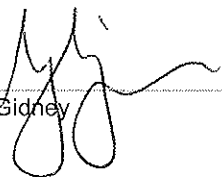
**To the best of our knowledge and belief, these Financial Statements:**

- 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 13 October 2014.**

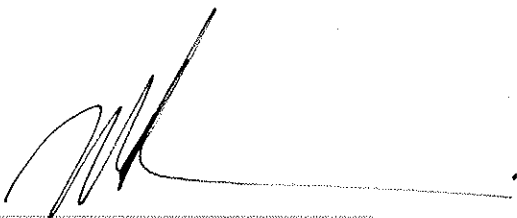
Gail Giles-Gidney  
MAYOR



Tony Mustaca  
COUNCILLOR



Nick Tobin  
GENERAL MANAGER



Tony Pizzuto  
RESPONSIBLE ACCOUNTING OFFICER



## Willoughby City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Willoughby Leisure  
Centre

Category 1

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	-	-
Fees	2,589	2,516
Interest	-	-
Grants and contributions provided for non capital purposes	11	11
Profit from the sale of assets	-	-
Other income	816	846
<b>Total income from continuing operations</b>	<b>3,416</b>	<b>3,373</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,227	2,124
Borrowing costs	-	-
Materials and contracts	509	474
Depreciation and impairment	114	117
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	877	720
<b>Total expenses from continuing operations</b>	<b>3,727</b>	<b>3,435</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(311)</b>	<b>(62)</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(311)</b>	<b>(62)</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(311)</b>	<b>(62)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(311)</b>	<b>(62)</b>
plus Opening Retained Profits	(788)	(726)
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	-	-
<b>Closing Retained Profits</b>	<b>(1,099)</b>	<b>(788)</b>
Return on Capital %	-3.4%	-0.7%
Subsidy from Council	638	412

## Willoughby City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Devonshire Child Care		Family Day Care	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	919	943	218	211
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	370	309	735	650
Profit from the sale of assets	-	-	-	-
Other income	6	4	2	5
<b>Total income from continuing operations</b>	<b>1,295</b>	<b>1,256</b>	<b>955</b>	<b>866</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	1,119	1,041	346	346
Borrowing costs	-	-	-	-
Materials and contracts	100	98	11	12
Depreciation and impairment	9	8	12	14
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	324	356	676	568
<b>Total expenses from continuing operations</b>	<b>1,552</b>	<b>1,503</b>	<b>1,045</b>	<b>940</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(257)</b>	<b>(247)</b>	<b>(90)</b>	<b>(74)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(257)</b>	<b>(247)</b>	<b>(90)</b>	<b>(74)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(257)</b>	<b>(247)</b>	<b>(90)</b>	<b>(74)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(257)</b>	<b>(247)</b>	<b>(90)</b>	<b>(74)</b>
plus Opening Retained Profits	(1,817)	(1,570)	(1,217)	(1,143)
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	-	-	-	-
<b>Closing Retained Profits</b>	<b>(2,074)</b>	<b>(1,817)</b>	<b>(1,307)</b>	<b>(1,217)</b>
<b>Return on Capital %</b>	<b>-24.1%</b>	<b>-23.0%</b>	<b>-147.5%</b>	<b>-101.4%</b>
<b>Subsidy from Council</b>	<b>295</b>	<b>288</b>	<b>92</b>	<b>77</b>



## Willoughby City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Before/After School Care		Artarmon Child Care	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	981	908	423	461
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	302	263	203	143
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
<b>Total income from continuing operations</b>	<b>1,283</b>	<b>1,171</b>	<b>626</b>	<b>604</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	717	658	525	517
Borrowing costs	-	-	-	-
Materials and contracts	70	61	45	44
Depreciation and impairment	-	-	6	8
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	169	166	166	150
<b>Total expenses from continuing operations</b>	<b>956</b>	<b>885</b>	<b>742</b>	<b>719</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>327</b>	<b>286</b>	<b>(116)</b>	<b>(115)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>327</b>	<b>286</b>	<b>(116)</b>	<b>(115)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>327</b>	<b>286</b>	<b>(116)</b>	<b>(115)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(98)	(86)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>229</b>	<b>200</b>	<b>(116)</b>	<b>(115)</b>
plus Opening Retained Profits	(1)	(287)	(1,263)	(1,148)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	98	86	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>326</b>	<b>(1)</b>	<b>(1,379)</b>	<b>(1,263)</b>
Return on Capital %	n/a	n/a	-46.4%	-45.1%
Subsidy from Council	-	-	125	125

## Willoughby City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

	Dougherty Food Services Category 2		Constant Companion Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	148	150	322	326
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	134	131
Profit from the sale of assets	-	-	-	-
Other income	85	104	10	13
<b>Total income from continuing operations</b>	<b>233</b>	<b>254</b>	<b>466</b>	<b>470</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	216	199	301	296
Borrowing costs	-	-	-	-
Materials and contracts	90	92	140	118
Depreciation and impairment	3	3	-	3
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	34	39	85	152
<b>Total expenses from continuing operations</b>	<b>343</b>	<b>333</b>	<b>526</b>	<b>569</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(110)</b>	<b>(79)</b>	<b>(60)</b>	<b>(99)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(110)</b>	<b>(79)</b>	<b>(60)</b>	<b>(99)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(110)</b>	<b>(79)</b>	<b>(60)</b>	<b>(99)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(110)</b>	<b>(79)</b>	<b>(60)</b>	<b>(99)</b>
plus Opening Retained Profits	(1,029)	(950)	(580)	(481)
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	-	-	-	-
<b>Closing Retained Profits</b>	<b>(1,139)</b>	<b>(1,029)</b>	<b>(640)</b>	<b>(580)</b>
<b>Return on Capital %</b>	<b>-17.7%</b>	<b>-12.6%</b>	<b>-1500.0%</b>	<b>-2475.0%</b>
<b>Subsidy from Council</b>	<b>132</b>	<b>103</b>	<b>60</b>	<b>99</b>

## Willoughby City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Willoughby Leisure Centre

\$ '000	Category 1	
	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	469	433
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>469</b>	<b>433</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	9,195	9,284
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>9,195</b>	<b>9,284</b>
<b>TOTAL ASSETS</b>	<b>9,664</b>	<b>9,717</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	2,261	2,058
Interest bearing liabilities	8,285	8,268
Provisions	109	90
<b>Total Current Liabilities</b>	<b>10,655</b>	<b>10,416</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	108	89
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>108</b>	<b>89</b>
<b>TOTAL LIABILITIES</b>	<b>10,763</b>	<b>10,505</b>
<b>NET ASSETS</b>	<b>(1,099)</b>	<b>(788)</b>
<b>EQUITY</b>		
Retained earnings	(1,099)	(788)
Revaluation reserves	-	-
Council equity interest	(1,099)	(788)
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>(1,099)</b>	<b>(788)</b>

## Willoughby City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Devonshire Child Care		Family Day Care	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	110	131	549	313
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>110</b>	<b>131</b>	<b>549</b>	<b>313</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	498	399	695	693
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	1,067	1,075	61	73
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>1,565</b>	<b>1,474</b>	<b>756</b>	<b>766</b>
<b>TOTAL ASSETS</b>	<b>1,675</b>	<b>1,605</b>	<b>1,305</b>	<b>1,079</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	3,423	3,129	2,527	2,217
Interest bearing liabilities	-	-	-	-
Provisions	161	145	35	32
<b>Total Current Liabilities</b>	<b>3,584</b>	<b>3,274</b>	<b>2,562</b>	<b>2,249</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	165	148	50	47
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>165</b>	<b>148</b>	<b>50</b>	<b>47</b>
<b>TOTAL LIABILITIES</b>	<b>3,749</b>	<b>3,422</b>	<b>2,612</b>	<b>2,296</b>
<b>NET ASSETS</b>	<b>(2,074)</b>	<b>(1,817)</b>	<b>(1,307)</b>	<b>(1,217)</b>
<b>EQUITY</b>				
Retained earnings	(2,074)	(1,817)	(1,307)	(1,217)
Revaluation reserves	-	-	-	-
Council equity interest	(2,074)	(1,817)	(1,307)	(1,217)
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>(2,074)</b>	<b>(1,817)</b>	<b>(1,307)</b>	<b>(1,217)</b>

## Willoughby City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Before/After School Care		Artarmon Child Care	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	479	-	-	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>479</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Investments	1,779	1,777	-	-
Receivables	78	51	104	93
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	250	255
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>1,857</b>	<b>1,828</b>	<b>354</b>	<b>348</b>
<b>TOTAL ASSETS</b>	<b>2,336</b>	<b>1,828</b>	<b>354</b>	<b>348</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	1,780	1,622	1,521	1,411
Interest bearing liabilities	-	-	-	10
Provisions	113	102	90	79
<b>Total Current Liabilities</b>	<b>1,893</b>	<b>1,724</b>	<b>1,611</b>	<b>1,500</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	116	105	122	111
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>116</b>	<b>105</b>	<b>122</b>	<b>111</b>
<b>TOTAL LIABILITIES</b>	<b>2,009</b>	<b>1,829</b>	<b>1,733</b>	<b>1,611</b>
<b>NET ASSETS</b>	<b>327</b>	<b>(1)</b>	<b>(1,379)</b>	<b>(1,263)</b>
<b>EQUITY</b>				
Retained earnings	327	(1)	(1,379)	(1,263)
Revaluation reserves	-	-	-	-
Council equity interest	<b>327</b>	<b>(1)</b>	<b>(1,379)</b>	<b>(1,263)</b>
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>327</b>	<b>(1)</b>	<b>(1,379)</b>	<b>(1,263)</b>

## Willoughby City Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Dougherty Food Services		Constant Companion	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	660	621
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>	<b>660</b>	<b>621</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	756	683	-	-
Inventories	1	1	-	-
Infrastructure, property, plant and equipment	623	625	4	4
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>1,380</b>	<b>1,309</b>	<b>4</b>	<b>4</b>
<b>TOTAL ASSETS</b>	<b>1,380</b>	<b>1,309</b>	<b>664</b>	<b>625</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	418	393	942	862
Interest bearing liabilities	2,042	1,889	171	177
Provisions	19	18	121	99
<b>Total Current Liabilities</b>	<b>2,479</b>	<b>2,300</b>	<b>1,234</b>	<b>1,138</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	40	38	70	67
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>40</b>	<b>38</b>	<b>70</b>	<b>67</b>
<b>TOTAL LIABILITIES</b>	<b>2,519</b>	<b>2,338</b>	<b>1,304</b>	<b>1,205</b>
<b>NET ASSETS</b>	<b>(1,139)</b>	<b>(1,029)</b>	<b>(640)</b>	<b>(580)</b>
<b>EQUITY</b>				
Retained earnings	(1,139)	(1,029)	(640)	(580)
Revaluation reserves	-	-	-	-
Council equity interest	(1,139)	(1,029)	(640)	(580)
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>(1,139)</b>	<b>(1,029)</b>	<b>(640)</b>	<b>(580)</b>

## Willoughby City Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### 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 financial year ended 30 June 2014

#### 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 these special purpose financial statements, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are 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 on the "Application of National Competition Policy to Local Government".

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

#### Declared Business Activities

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

##### Category 1

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

##### a. 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)

##### b. 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.*

##### c. Family Day Care

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

##### d. 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)

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



## Willoughby City Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

*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

**e. 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.*

**f. 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.*

**g. Constant Companion**

*A 24 hour, seven days a week emergency response service for the older, frail & disabled residents of the City.*

#### Monetary Amounts

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

#### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties 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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

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

#### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

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

#### Local Government Rates & Charges

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

## Willoughby City Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

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##### **Loan & Debt Guarantee Fees**

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

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

##### **(ii) Subsidies**

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

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

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 the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

##### **(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**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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

##### **(iv) Dividends**

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



## **Willoughby City Council**

### **Independent auditor's report Report on the special purpose financial report**

#### **Report on the financial report**

We have audited the accompanying financial report, being a special purpose financial report, of Willoughby City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2014, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2014.

#### *Councillors' responsibility for the financial report*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial report, 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 report that is free from material misstatement, whether due to error or fraud.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, 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 report 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 report.

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



*Auditor's opinion:*

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of Willoughby City Council as of 30 June 2014 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, 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 report, which describes the basis of accounting. The financial report has 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 report may not be suitable for another purpose. Our report is intended solely for the Council.

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

PricewaterhouseCoopers

A second handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz  
Partner

Sydney  
14 October 2014

# Willoughby City Council

SPECIAL SCHEDULES

for the year ended 30 June 2014

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*“...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 financial year ended 30 June 2014

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#### Special Schedules<sup>1</sup>

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	5
- Special Schedule No. 8	Financial Projections	9
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - 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 No. 1 - Net Cost of Services  
for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>1,630</b>	<b>398</b>	<b>-</b>	<b>(1,232)</b>
<b>Administration</b>	<b>20,184</b>	<b>17,476</b>	<b>14,115</b>	<b>11,407</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	1,441	40	-	(1,401)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	2,944	4,847	-	1,903
Animal Control	3	25	-	22
Other	65	-	-	(65)
<b>Total Public Order &amp; Safety</b>	<b>4,453</b>	<b>4,912</b>	<b>-</b>	<b>459</b>
<b>Health</b>	<b>808</b>	<b>742</b>	<b>79</b>	<b>13</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	3,047	47	-	(3,000)
Solid Waste Management	10,545	13,526	-	2,981
Street Cleaning	1,628	3	-	(1,625)
Drainage	2,091	63	-	(2,028)
Stormwater Management	282	739	-	457
<b>Total Environment</b>	<b>17,593</b>	<b>14,378</b>	<b>-</b>	<b>(3,215)</b>
<b>Community Services and Education</b>				
Administration & Education	1,502	405	-	(1,097)
Social Protection (Welfare)	567	272	-	(295)
Aged Persons and Disabled	953	929	-	(24)
Children's Services	4,496	4,333	-	(163)
<b>Total Community Services &amp; Education</b>	<b>7,518</b>	<b>5,939</b>	<b>-</b>	<b>(1,579)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	1,331	191	-	(1,140)
Town Planning	3,451	1,474	-	(1,977)
Other Community Amenities	1,128	780	-	(348)
<b>Total Housing and Community Amenities</b>	<b>5,910</b>	<b>2,445</b>	<b>-</b>	<b>(3,465)</b>
<b>Water Supplies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sewerage Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Willoughby City Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	4,859	397	-	(4,462)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,878	568	-	(1,310)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	1,421	336	-	(1,085)
Sporting Grounds and Venues	2,960	646	155	(2,159)
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	3,817	71	-	(3,746)
Other Sport and Recreation	9,364	8,796	1,307	739
<b>Total Recreation and Culture</b>	<b>24,299</b>	<b>10,814</b>	<b>1,462</b>	<b>(12,023)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	1,283	385	-	(898)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>1,283</b>	<b>385</b>	-	<b>(898)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	6,625	1,585	-	(5,040)
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	269	-	-	(269)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	2,232	3,790	-	1,558
Footpaths	2,112	160	-	(1,952)
Aerodromes	-	-	-	-
Other Transport & Communication	149	143	1,306	1,300
<b>Total Transport and Communication</b>	<b>11,387</b>	<b>5,678</b>	<b>1,306</b>	<b>(4,403)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,343	4,005	-	2,662
<b>Total Economic Affairs</b>	<b>1,343</b>	<b>4,005</b>	-	<b>2,662</b>
<b>Totals – Functions</b>	<b>96,408</b>	<b>67,172</b>	<b>16,962</b>	<b>(12,274)</b>
<b>General Purpose Revenues</b> <sup>(2)</sup>		<b>44,414</b>		<b>44,414</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>3</b>	-		<b>(3)</b>
<b>NET OPERATING RESULT</b> <sup>(1)</sup>	<b>96,411</b>	<b>111,586</b>	<b>16,962</b>	<b>32,137</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges



# Willoughby City Council

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

for the financial year ended 30 June 2014

\$'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
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,084	19,386	<b>22,470</b>	-	3,084	-	-	1,275	3,154	16,232	<b>19,386</b>
Other	451	27,305	<b>27,756</b>	-	451	-	-	1,115	466	26,839	<b>27,305</b>
<b>Total Loans</b>	<b>3,535</b>	<b>46,691</b>	<b>50,226</b>	-	<b>3,535</b>	-	-	<b>2,390</b>	<b>3,620</b>	<b>43,071</b>	<b>46,691</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	75	1,095	<b>1,170</b>	-	75	-	-	-	75	1,020	<b>1,095</b>
<b>Total Long Term Debt</b>	<b>75</b>	<b>1,095</b>	<b>1,170</b>	-	<b>75</b>	-	-	-	<b>75</b>	<b>1,020</b>	<b>1,095</b>
<b>Total Debt</b>	<b>3,610</b>	<b>47,786</b>	<b>51,396</b>	-	<b>3,610</b>	-	-	<b>2,390</b>	<b>3,695</b>	<b>44,091</b>	<b>47,786</b>

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

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

# Willoughby City Council

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Replacement Cost (GRC) <sup>(4)</sup>	Assets in Condition as a % of GRC <sup>(4), (5)</sup>				
						1	2	3	4	5
<b>Buildings</b>	Council Offices	-	1,178	1,076	1,806	0%	70%	30%	0%	0%
	Council Works Depot	49	575	525	20,865	98%	0%	1%	1%	0%
	Council Halls	75	208	190	858	11%	6%	74%	9%	0%
	Libraries	64	33	30	5,733	60%	24%	14%	2%	0%
	Council Houses	3	17	16	7,118	0%	75%	25%	0%	0%
	Commercial Buildings	216	133	121	67,919	4%	27%	67%	2%	0%
	Childcare Centres	237	185	169	8,475	3%	65%	29%	3%	0%
	Community Centres	405	622	568	168,767	95%	1%	3%	1%	0%
	Amenities/Toilets	183	254	232	10,189	4%	25%	63%	8%	0%
	<b>sub total</b>	<b>1,232</b>	<b>3,205</b>	<b>2,927</b>	<b>291,730</b>	<b>64%</b>	<b>12%</b>	<b>22%</b>	<b>2%</b>	<b>0%</b>
<b>Roads</b>	Sealed Roads	4,915	4,788	3,244	162,944	5%	53%	37%	2%	3%
	Bridges	321	263	51	9,798	46%	29%	23%	2%	0%
	Footpaths/Cycleways	1,253	2,287	1,989	61,394	53%	18%	20%	8%	1%
	Kerb and Gutter	1,332	585	392	80,344	49%	30%	15%	6%	0%
	Carparks	-	29	28	2,531	4%	3%	92%	1%	0%
	<b>sub total</b>	<b>7,821</b>	<b>7,952</b>	<b>5,704</b>	<b>317,011</b>	<b>27%</b>	<b>39%</b>	<b>28%</b>	<b>4%</b>	<b>2.0%</b>

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Replacement Cost (GRC) <sup>(4)</sup>	Assets in Condition as a % of GRC <sup>(4), (5)</sup>				
						1	2	3	4	5
Stormwater Drainage	Pipes & Pits	20,313	3,863	1,390	112,320	14%	24%	39%	22%	1%
	Gross Pollutant Traps	4	-	-	871	27%	0%	72%	0%	1%
	<b>sub total</b>	<b>20,317</b>	<b>3,863</b>	<b>1,390</b>	<b>113,191</b>	<b>14%</b>	<b>24%</b>	<b>39%</b>	<b>22%</b>	<b>1.0%</b>
Open Space/ Recreational Assets	Swimming Pools	1,200	100	75	3,892	0%	0%	88%	12%	0%
	Parks	3,218	2,346	1,200	17,140	3%	14%	63%	19%	1%
	Playgrounds	629	437	149	2,330	9%	9%	78%	4%	0%
	Sporting Fields	3,617	2,615	1,297	11,121	11%	25%	40%	12%	12%
	<b>sub total</b>	<b>8,664</b>	<b>5,498</b>	<b>2,721</b>	<b>34,483</b>	<b>6%</b>	<b>16%</b>	<b>59%</b>	<b>15%</b>	<b>4%</b>
<b>TOTAL - ALL ASSETS</b>		<b>38,034</b>	<b>20,518</b>	<b>12,742</b>	<b>756,415</b>	<b>38%</b>	<b>26%</b>	<b>29%</b>	<b>6%</b>	<b>1%</b>

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Gross Replacement Cost is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

## Willoughby City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building and Infrastructure Renewals Ratio</b>				
Asset Renewals (Building and Infrastructure) <sup>(1)</sup>	<u>6,195</u>	<b>66.55%</b>	43.84%	51.30%
Depreciation, Amortisation & Impairment	<u>9,309</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>38,034</u>	<b>0.05</b>	0.04	0.06
Total value <sup>(2)</sup> of Infrastructure (excluding Bulk Earthworks) & Buildings	<u>756,415</u>			
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>12,742</u>	<b>0.62</b>	0.80	0.62
Required Asset Maintenance	<u>20,518</u>			
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>23,924</u>	<b>2.01</b>	1.02	1.86
Annual Depreciation	<u>11,895</u>			

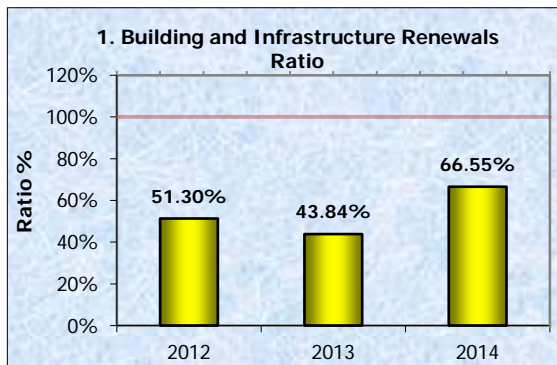
## Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.

<sup>(2)</sup> Gross Replacement Cost

# Willoughby City Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

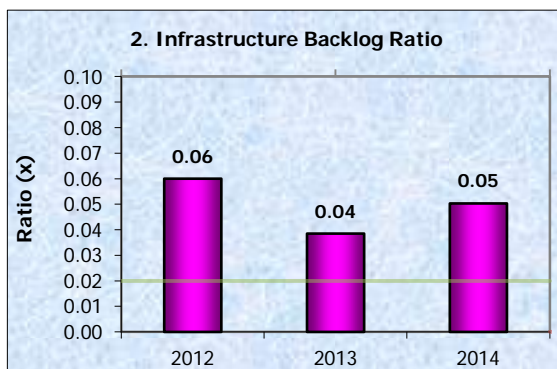
**Purpose of Asset Renewals Ratio**

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on 2013/14 Result**

**2013/14 Ratio 66.55%**

This indicator is moving positively towards the industry benchmark of 100%.



— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

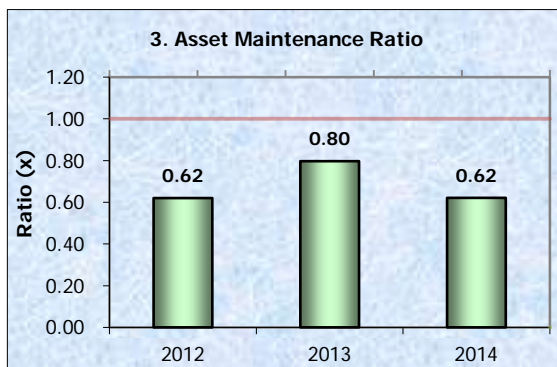
**Purpose of Infrastructure Backlog Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 0.05 x**

This indicator has been negatively impacted by the booking of all Open Space Assets at Fair Value.



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

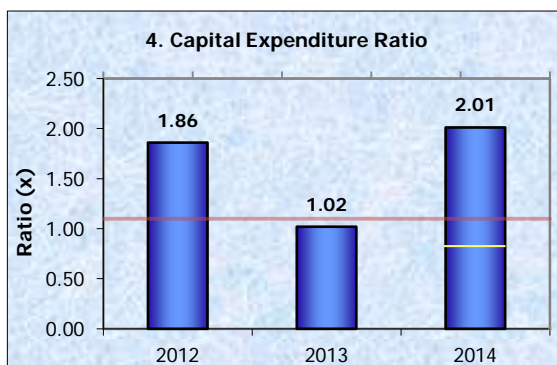
**Purpose of Asset Maintenance Ratio**

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 2013/14 Result**

**2013/14 Ratio 0.62 x**

This indicator has been negatively impacted by the booking of all Open Space Assets at Fair Value.



— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

**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 2013/14 Result**

**2013/14 Ratio 2.01 x**

This indicator has been positively impacted by the booking of a "purchase" of land - non cash of \$14.115M.

Excluding this "purchase", the adjusted figure is 0.82.

# Willoughby City Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual <sup>(1)</sup> 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16	Forecast <sup>(3)</sup> 16/17	Forecast <sup>(3)</sup> 17/18	Forecast <sup>(3)</sup> 18/19	Forecast <sup>(3)</sup> 19/20	Forecast <sup>(3)</sup> 20/21	Forecast <sup>(3)</sup> 21/22	Forecast <sup>(3)</sup> 22/23	Forecast <sup>(3)</sup> 23/24
<b>(i) OPERATING BUDGET</b>											
Income from continuing operations	128,548	103,275	104,766	108,111	112,504	117,109	121,955	126,719	131,698	136,901	142,321
Expenses from continuing operations	96,411	100,900	104,495	108,048	112,460	115,546	120,352	125,511	130,174	135,573	141,293
<b>Operating Result from Continuing Operations</b>	<b>32,137</b>	<b>2,375</b>	<b>271</b>	<b>63</b>	<b>44</b>	<b>1,563</b>	<b>1,603</b>	<b>1,208</b>	<b>1,524</b>	<b>1,328</b>	<b>1,028</b>
<b>(ii) CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	2,161	9,210	3,670	3,095	3,092	3,754	3,855	3,959	4,066	4,177	4,291
Replacement/Refurbishment of Existing Assets	7,648	7,980	6,675	6,053	5,881	5,849	6,029	6,214	6,405	6,602	6,805
<b>Total Capital Budget</b>	<b>9,809</b>	<b>17,190</b>	<b>10,345</b>	<b>9,148</b>	<b>8,973</b>	<b>9,603</b>	<b>9,884</b>	<b>10,173</b>	<b>10,471</b>	<b>10,779</b>	<b>11,096</b>
<b>Funded by:</b>											
– Loans	728	1,000	-	-	-	-	-	-	-	-	-
– Asset sales	-	-	-	-	-	-	-	-	-	-	-
– Reserves	1,389	7,151	2,604	1,612	1,477	1,361	1,402	1,444	1,487	1,532	1,578
– Grants/Contributions	2,838	3,195	1,629	1,707	1,744	1,836	1,891	1,948	2,007	2,067	2,129
– Recurrent revenue	4,031	4,663	5,019	5,210	5,361	4,848	5,002	5,159	5,321	5,489	5,662
– Other	823	1,181	1,093	619	391	1,558	1,589	1,622	1,656	1,691	1,727
	<b>9,809</b>	<b>17,190</b>	<b>10,345</b>	<b>9,148</b>	<b>8,973</b>	<b>9,603</b>	<b>9,884</b>	<b>10,173</b>	<b>10,471</b>	<b>10,779</b>	<b>11,096</b>

### Notes:

(1) From 13/14 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

## Willoughby City Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	40,031	41,340
Plus or minus Adjustments <sup>(2)</sup>	b	(84)	412
<b>Notional General Income</b>	c	<b>39,947</b>	<b>41,752</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	1,358	960
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>41,305</b>	<b>42,712</b>
plus (or minus) last year's Carry Forward Total	l	2	(14)
less Valuation Objections claimed in the previous year	m	-	(18)
<b>sub-total</b>	n = (l + m)	<b>2</b>	<b>(32)</b>
<b>Total Permissible income</b>	o = k + n	<b>41,307</b>	<b>42,680</b>
less Notional General Income Yield	p	41,340	42,676
<b>Catch-up or (excess) result</b>	q = o - p	<b>(32)</b>	<b>4</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	18	-
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>(14)</b>	<b>4</b>

**Notes**

- <sup>1</sup> 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.
- <sup>2</sup> 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.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> 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.
- <sup>5</sup> 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.



## **Willoughby City Council**

### **Independent auditor's report Report on the Special Schedule No. 9**

#### **Report on the Special Schedule No. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Willoughby City Council ("the Council") for the year ended 30 June 2015.

#### ***Responsibility of Council for Special Schedule No. 9***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

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. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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.

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***Audit Opinion***

In our opinion, Special Schedule No. 9 of Willoughby City Council for the year ended 30 June 2015 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 Council's 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 Division of Local Government.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz  
Partner

Sydney  
14 October 2014