

Willoughby City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2015

“...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 2015

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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 29 September 2015. Council has the power to amend and reissue these financial statements.

Willoughby City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Understanding Council's Financial Statements

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 2015.

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 14/15 financial year can be found at Note 28 of the financial statements.

Willoughby City Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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 28 September 2015.



Gail Giles Gidney
MAYOR



Michelle Sloane
DEPUTY MAYOR



Debra Just
GENERAL MANAGER



Mark McDonald
RESPONSIBLE ACCOUNTING OFFICER

Willoughby City Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹				Actual	Actual
2015	\$ '000		Notes	2015	2014
Income from Continuing Operations					
Revenue:					
56,621	Rates & Annual Charges		3a	57,288	54,439
17,366	User Charges & Fees		3b	18,515	17,429
2,155	Interest & Investment Revenue		3c	2,812	2,505
16,108	Other Revenues		3d	20,410	31,383
5,989	Grants & Contributions provided for Operating Purposes		3e,f	7,085	5,641 ²
5,045	Grants & Contributions provided for Capital Purposes		3e,f	12,829	16,962
Other Income:					
266	Net gains from the disposal of assets		5	158	189
103,550	Total Income from Continuing Operations			119,097	128,548
Expenses from Continuing Operations					
41,317	Employee Benefits & On-Costs		4a	40,539	39,129
2,289	Borrowing Costs		4b	2,943	3,113
31,184	Materials & Contracts		4c	31,085	28,971
12,309	Depreciation & Amortisation		4d	10,551	11,895
-	Impairment		4d	-	-
13,594	Other Expenses		4e	13,065	13,300
90	Net Losses from the Disposal of Assets		5	-	-
5	Net Share of interests in Joint Ventures & Associates using the equity method		19	5	3
100,788	Total Expenses from Continuing Operations			98,188	96,411
2,762	Operating Result from Continuing Operations			20,909	32,137
Discontinued Operations					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
2,762	Net Operating Result for the Year			20,909	32,137
2,762	Net Operating Result attributable to Council			20,909	32,137
-	Net Operating Result attributable to Non-controlling Interests			-	-
(2,283)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			8,080	15,175

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to a change in how the grant was paid in prior years-refer Note 3 (e)

Willoughby City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		20,909	32,137
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	13,889	12,676
Adjustment to correct prior period errors		-	3,376
Total Items which will not be reclassified subsequently to the Operating Result		13,889	16,052
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		13,889	19,428
Total Comprehensive Income for the Year		34,798	51,565
Total Comprehensive Income attributable to Council		34,798	51,565
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Willoughby City Council

Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	6,250	6,688
Investments	6b	78,847	61,732
Receivables	7	4,813	4,710
Inventories	8	24	28
Other	8	493	391
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		90,427	73,549
Non-Current Assets			
Investments	6b	5,015	3,016
Receivables	7	36	41
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	2,768,309	2,754,522
Investments accounted for using the equity method	19	56	61
Investment Property	14	67,717	64,903
Intangible Assets	25	-	-
Total Non-Current Assets		2,841,133	2,822,543
TOTAL ASSETS		2,931,560	2,896,092
LIABILITIES			
Current Liabilities			
Payables	10	16,948	13,494
Borrowings	10	3,859	3,695
Provisions	10	11,060	10,868
Total Current Liabilities		31,867	28,057
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	45,736	48,876
Provisions	10	388	388
Total Non-Current Liabilities		46,124	49,264
TOTAL LIABILITIES		77,991	77,321
Net Assets		2,853,569	2,818,771
EQUITY			
Retained Earnings	20	2,459,420	2,438,511
Revaluation Reserves	20	394,149	380,260
Council Equity Interest		2,853,569	2,818,771
Non-controlling Equity Interests		-	-
Total Equity		2,853,569	2,818,771

Willoughby City Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		2,438,511	380,260	2,818,771	-	2,818,771
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		2,438,511	380,260	2,818,771	-	2,818,771
c. Net Operating Result for the Year		20,909	-	20,909	-	20,909
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	13,889	13,889	-	13,889
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	13,889	13,889	-	13,889
Total Comprehensive Income (c&d)		20,909	13,889	34,798	-	34,798
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		2,459,420	394,149	2,853,569	-	2,853,569

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		2,402,998	367,584	2,770,582	-	2,770,582
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		2,402,998	367,584	2,770,582	-	2,770,582
c. Net Operating Result for the Year		32,137	-	32,137	-	32,137
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	12,676	12,676	-	12,676
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (Correction of Prior Period Errors)	20a	3,376	-	3,376	-	3,376
Other Comprehensive Income		3,376	12,676	16,052	-	16,052
Total Comprehensive Income (c&d)		35,513	12,676	48,189	-	48,189
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		2,438,511	380,260	2,818,771	-	2,818,771

Willoughby City Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
56,234	Rates & Annual Charges		57,254	54,737
18,609	User Charges & Fees		19,062	21,887
2,155	Investment & Interest Revenue Received		2,638	2,153
11,034	Grants & Contributions		20,414	8,194
-	Bonds, Deposits & Retention amounts received		2,042	1,285
16,108	Other		22,602	31,827
Payments:				
(40,463)	Employee Benefits & On-Costs		(40,461)	(39,494)
(31,732)	Materials & Contracts		(32,248)	(31,999)
(2,289)	Borrowing Costs		(2,240)	(2,402)
-	Bonds, Deposits & Retention amounts refunded		(1,030)	(913)
(13,594)	Other		(14,737)	(15,881)
16,062	Net Cash provided (or used in) Operating Activities	11b	33,296	29,394
Cash Flows from Investing Activities				
Receipts:				
9,809	Sale of Investment Securities		38,500	25,602
266	Sale of Infrastructure, Property, Plant & Equipment		224	296
Payments:				
-	Purchase of Investment Securities		(57,586)	(57,623)
-	Purchase of Investment Property		(662)	(181)
(17,645)	Purchase of Infrastructure, Property, Plant & Equipment		(10,515)	(9,809)
(7,570)	Net Cash provided (or used in) Investing Activities		(30,039)	(41,715)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(3,697)	Repayment of Borrowings & Advances		(3,695)	(3,610)
(3,697)	Net Cash Flow provided (used in) Financing Activities		(3,695)	(3,610)
4,795	Net Increase/(Decrease) in Cash & Cash Equivalents		(438)	(15,931)
6,688	plus: Cash & Cash Equivalents - beginning of year	11a	6,688	22,619
11,483	Cash & Cash Equivalents - end of the year	11a	6,250	6,688
Additional Information:				
	plus: Investments on hand - end of year	6b	83,862	64,748
	Total Cash, Cash Equivalents & Investments		90,112	71,436

Please refer to Note 11 for additional cash flow information

This Statement should be read in conjunction with the accompanying Notes.

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Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(iv) Early adoption of Accounting Standards

Council has elected to apply amendments to AASB13 under AASB 2015-7 Amendments to Australian Accounting Standards for Fair Value Disclosures of Not-for-Profit sector Entities in the preparation of these financial statements. This standard will apply to annual reporting periods beginning on or after 1 July 2016.

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

(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,

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 and Rents

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

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 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

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.

(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*

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

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

(iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

Joint Ventures

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

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

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

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

(iv) Associates

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 another entities operations but neither controls nor jointly controls the entity), then

Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Ventures.

Such entities are usually termed Associates.

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

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

(v) County Councils

Council is not a member of any County Councils.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

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

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

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

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

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

Property, plant and equipment acquired under finance leases 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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(h) Receivables

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal & External Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)

Willoughby City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Open Space/Recreational Assets including Swimming Pools, Parks, Playgrounds and Sporting Fields** (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.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation Thresholds

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

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Stormwater Assets

Drains & Culverts	100% Capitalised
Other	100% Capitalised

Transport Assets

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

Other Infrastructure Assets

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

Other Infrastructure	> \$10,000
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Depreciation

Depreciation on Council's Infrastructure and Buildings is based on the consumption of the asset over its useful life. Plant and Equipment, Office Equipment and Furniture and Fittings are calculated using the straight line method in order to allocate an 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

Buildings

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

Stormwater Drainage

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

Transportation Assets

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

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

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

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

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

Disposal and De-recognition

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

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

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

(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 three years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's Investment Properties was dated 30/06/14.

(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 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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2015 was \$825,840.

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 2013 when last valued.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

(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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 2015.

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.

Apart from the AASB disclosures below, there are no other standards that are “not yet effective” which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

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

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

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

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

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

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

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

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

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

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

The amendments require:

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

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

Not applicable to Local Government per se;

None

Willoughby City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 2015

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	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	32	13	398	1,583	1,480	1,630	(1,551)	(1,467)	(1,232)	73	59	-	-
Administration	3,998	7,387	31,591	22,838	21,524	20,184	(18,840)	(14,137)	11,407	166	147	247,932	229,352
Public Order & Safety	4,869	5,002	4,912	2,961	4,506	4,453	1,908	496	459	-	-	1,987	1,935
Health	749	678	821	600	891	808	149	(213)	13	-	-	1,627	1,688
Environment	19,621	15,517	14,378	19,220	17,661	17,593	401	(2,144)	(3,215)	185	194	83,916	80,907
Community Services & Education	6,172	6,118	5,939	8,311	7,686	7,518	(2,139)	(1,568)	(1,579)	2,695	2,367	11,579	11,711
Housing & Community Amenities	2,193	8,583	2,445	6,105	6,224	5,910	(3,912)	2,359	(3,465)	191	464	32,765	32,909
Recreation & Culture	7,616	10,806	12,276	22,863	25,498	24,299	(15,247)	(14,692)	(12,023)	306	279	2,009,820	2,006,748
Mining, Manufacturing & Construction	369	408	385	1,387	1,294	1,283	(1,018)	(886)	(898)	-	-	-	-
Transport & Communication	9,924	11,698	6,984	14,176	10,161	11,387	(4,252)	1,537	(4,403)	329	22	407,957	399,882
Economic Affairs	6,570	5,733	4,005	739	1,258	1,343	5,831	4,475	2,662	-	-	133,921	130,899
Total Functions & Activities	62,113	71,943	84,134	100,783	98,183	96,408	(38,670)	(26,240)	(12,274)	3,945	3,532	2,931,504	2,896,031
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	5	5	3	(5)	(5)	(3)	-	-	56	61
General Purpose Income ¹	41,437	47,154	44,414	-	-	-	41,437	47,154	44,414	2,277	1,249	-	-
Operating Result from Continuing Operations	103,550	119,097	128,548	100,788	98,188	96,411	2,762	20,909	32,137	6,222	4,781	2,931,560	2,896,092

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 2015

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 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		24,133	23,141
Business		18,334	17,716
Total Ordinary Rates		42,467	40,857
Special Rates			
Stormwater Management Levy		622	671
Total Special Rates		622	671
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		14,199	12,911
Total Annual Charges		14,199	12,911
TOTAL RATES & ANNUAL CHARGES		57,288	54,439
Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		269	286
Total User Charges		269	286
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		2,167	1,909
Section 611 Charges		67	60
Total Fees & Charges - Statutory/Regulatory		2,234	1,969
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Building Related		2,337	1,356
Child Care		2,313	2,381
Community Services		1,860	1,951
Leisure Centre		2,796	3,070
Parking Fees		4,912	4,269
Restoration Charges		925	1,344
Other		869	803
Total Fees & Charges - Other		16,012	15,174
TOTAL USER CHARGES & FEES		18,515	17,429

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		44	48
- Interest earned on Investments (interest & coupon payment income)		2,740	2,335
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		28	122
TOTAL INTEREST & INVESTMENT REVENUE		2,812	2,505
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		44	48
General Council Cash & Investments		2,111	2,022
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		180	197
Site 1 - Cy Pres Scheme		189	-
Site 2 - Cy Pres Scheme		33	-
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		255	238
Total Interest & Investment Revenue Recognised		2,812	2,505
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	2,152	2,782
Rental Income - Investment Properties	14	4,877	3,627
Rental Income - Other Council Properties		6,099	7,529
Fines		4,735	4,590
Legal Fees Recovery - Rates & Charges (Extra Charges)		63	57
Legal Fees Recovery - Other		51	70
Arts & Culture		24	6
Commissions & Agency Fees		4	5
Community Development		66	50
Compensation for Land Acquisition		-	10,829
Council Property		257	238
General Administration		66	125
Insurance Claim Recoveries		128	298
Library Services		37	36
Merchant Fee Recovery		88	81
Melody Markets		503	566
Orchestra & Choir		21	8
Sale of Abandoned Vehicles		10	10
Sales - General		69	45
Services Recovery		108	69
Sponsorship		736	85
Street Fair		60	37
Other		256	240
TOTAL OTHER REVENUE		20,410	31,383

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,512	772	-	-
Financial Assistance - Local Roads Component	572	285	-	-
Pensioners' Rates Subsidies - General Component	193	192	-	-
Total General Purpose	2,277	1,249	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

- Domestic Waste Management	89	97	-	-
Community Care	2,695	2,367	-	-
Environment	185	115	-	79
Housing and Community Amenities	-	273	-	-
Library - per capita	135	134	-	-
LIRS Subsidy	73	59	-	-
Recreation & Culture	151	110	20	35
Street Lighting	191	191	-	-
Traffic Route Subsidy	24	22	-	-
Transport (Roads to Recovery)	282	-	-	-
Transport (Other Roads & Bridges Funding)	23	-	-	-
Other	77	50	-	-
Total Specific Purpose	3,925	3,418	20	114
Total Grants	6,202	4,667	20	114

Grant Revenue is attributable to:

- Commonwealth Funding	2,790	2,385	20	79
- State Funding	3,256	2,237	-	25
- Other Funding	156	45	-	10
	6,202	4,667	20	114

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	-	-	-	110
S 94 - Contributions towards amenities/services	-	-	6,961	2,503
Total Developer Contributions	17	-	6,961	2,613
Other Contributions:				
Community Services	15	19	-	-
Land Dedications	-	-	-	14,115
Environment	455	388	-	-
Housing and Community Amenities	-	-	5,848	-
Other Councils - Joint Works/Services	35	45	-	-
Recreation & Culture	9	12	-	120
RMS Contributions (Regional Roads, Block Grant)	369	510	-	-
Total Other Contributions	883	974	5,848	14,235
Total Contributions	883	974	12,809	16,848
TOTAL GRANTS & CONTRIBUTIONS	7,085	5,641	12,829	16,962

\$ '000	Actual 2015	Actual 2014
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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	13,546	16,588
add: Grants & contributions recognised in the current period but not yet spent:	7,513	3,486
less: Grants & contributions recognised in a previous reporting period now spent:	(4,977)	(6,528)
Net Increase (Decrease) in Restricted Assets during the Period	2,536	(3,042)
Unexpended and held as Restricted Assets	16,082	13,546
Comprising:		
- Specific Purpose Unexpended Grants	573	691
- Developer Contributions	15,500	12,855
- Other Contributions	9	-
	16,082	13,546

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		30,430	30,210
Travelling		48	84
Employee Leave Entitlements (ELE)		4,862	3,890
Superannuation		3,637	3,577
Workers' Compensation Insurance		1,035	1,046
Fringe Benefit Tax (FBT)		380	385
Training Costs (other than Salaries & Wages)		260	468
Other		64	54
Total Employee Costs		40,716	39,714
less: Capitalised Costs		(177)	(585)
TOTAL EMPLOYEE COSTS EXPENSED		40,539	39,129
Number of "Equivalent Full Time" Employees at year end		395	406
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,224	2,390
Total Interest Bearing Liability Costs Expensed		2,224	2,390
(ii) Other Borrowing Costs			
Fair Value Adjustment on Loans (to Council)		719	723
Total Other Borrowing Costs		719	723
TOTAL BORROWING COSTS EXPENSED		2,943	3,113
(c) Materials & Contracts			
Raw Materials & Consumables		3,198	3,007
Contractor & Consultancy Costs		25,961	24,421
Auditors Remuneration ⁽¹⁾		51	92
Audit Committee Fees		4	4
Legal Expenses:			
- Legal Expenses: Planning & Development		634	300
- Legal Expenses: Other		419	245
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment ⁽²⁾		425	480
Other		393	422
TOTAL MATERIALS & CONTRACTS		31,085	28,971

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		51	54
Remuneration for audit and other assurance services		51	54
(ii) Taxation Services			
- Tax compliance services		-	38
Remuneration for taxation services		-	38
Total Auditor Remuneration		51	92
2. Operating Lease Payments are attributable to:			
Computers		286	384
Other		139	96
		425	480

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	749	841
Office Equipment		-	-	233	248
Furniture & Fittings		-	-	60	79
Land Improvements (depreciable)		-	-	116	102
Buildings - Non Specialised		-	-	53	53
Buildings - Specialised		-	-	1,431	1,284
Other Structures		-	-	312	302
Infrastructure:					
- Roads		-	-	2,242	4,095
- Bridges		-	-	414	264
- Footpaths		-	-	803	1,296
- Stormwater Drainage		-	-	1,265	1,519
- Swimming Pools		-	-	47	47
- Other Open Space/Recreational Assets		-	-	1,710	751
Other Assets					
- Library Books		-	-	540	546
- Other		-	-	576	468
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,551	11,895

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Advertising		460	495
Bad & Doubtful Debts		123	98
Bank Charges		260	254
Child Care Assistance Fee Relief		607	527
Commissions and Agency Fees		571	606
Computer Operating Expenses		917	780
Concourse Venue Management		737	630
Contributions/Levies to Other Levels of Government			
- EPA Levy		220	216
- NSW Fire Brigade Levy		1,421	1,420
- Parking Space Levy		388	330
Councillor Expenses - Mayoral Fee		61	59
Councillor Expenses - Councillors' Fees		306	262
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		23	19
Donations, Contributions & Assistance to other organisations (Section 356)		359	321
Election Expenses		-	296
Electricity & Heating		1,315	1,800
Events & Community Projects		134	84
Insurance		1,846	1,686
Orchestra Costs		94	83
Planning Reform Fees		232	210
Street Lighting		1,092	1,093
Subscriptions & Publications		142	149
Telephone & Communications		480	528
Valuation Fees		110	119
Vehicle Registrations		119	120
Water Rates & Other Services		419	468
Other		629	647
<u>TOTAL OTHER EXPENSES</u>		<u>13,065</u>	<u>13,300</u>

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	-
less: Carrying Amount of Property Assets Sold / Written Off		-	(73)
Net Gain/(Loss) on Disposal		-	(73)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		224	296
less: Carrying Amount of P&E Assets Sold / Written Off		(66)	(34)
Net Gain/(Loss) on Disposal		158	262
Financial Assets			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		38,500	25,602
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(38,500)	(25,602)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		158	189

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		66	-	786	-
Cash-Equivalent Assets ¹					
- Deposits at Call		6,184	-	5,902	-
Total Cash & Cash Equivalents		6,250	-	6,688	-
Investments (Note 6b)					
- Long Term Deposits		78,847	-	59,261	-
- Equity Linked Notes		-	-	991	-
- NCD's, FRN's (with Maturities > 3 months)		-	5,015	499	3,016
- CDO's		-	-	981	-
Total Investments		78,847	5,015	61,732	3,016
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		85,097	5,015	68,420	3,016

¹ 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"		6,250	-	6,688	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition" 6(b-i)		-	5,015	2,471	3,016
b. "Held to Maturity" 6(b-ii)		78,847	-	59,261	-
Investments		78,847	5,015	61,732	3,016

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 2015

Note 6b. Investments (continued)

\$ '000	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	2,471	3,016	-	4,365
Revaluations (through the Income Statement)	29	(1)	-	122
Additions	-	2,000	-	1,000
Disposals (sales & redemptions)	(2,500)	-	-	-
Transfers between Current/Non Current	-	-	2,471	(2,471)
Balance at End of Year	-	5,015	2,471	3,016
Comprising:				
- Equity Linked Notes	-	-	991	-
- NCD's, FRN's (with Maturities > 3 months)	-	5,015	499	3,016
- CDO's	-	-	981	-
Total	-	5,015	2,471	3,016
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	59,261	-	28,240	-
Additions	55,586	-	56,623	-
Disposals (sales & redemptions)	(36,000)	-	(25,602)	-
Balance at End of Year	78,847	-	59,261	-
Comprising:				
- Long Term Deposits	78,847	-	59,261	-
Total	78,847	-	59,261	-

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	85,097	5,015	68,420	3,016
attributable to:				
External Restrictions (refer below)	27,963	5,015	19,339	3,016
Internal Restrictions (refer below)	44,666	-	38,179	-
Unrestricted	12,468	-	10,902	-
	85,097	5,015	68,420	3,016

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	1,142	225	(1,211)	156
External Restrictions - Included in Liabilities	1,142	225	(1,211)	156

External Restrictions - Other

Developer Contributions - General (B)	12,855	7,141	(4,496)	15,500
RMS (formerly RTA) Contributions (C)	-	9	-	9
Specific Purpose Unexpended Grants (D)	691	348	(466)	573
Domestic Waste Management (E)	820	2,526	(305)	3,041
Site 1 - Cy Pres Scheme	4,680	780	-	5,460
Site 2 - Cy Pres Scheme	728	232	-	960
Affordable Housing	1,439	5,938	(98)	7,279
External Restrictions - Other	21,213	16,974	(5,365)	32,822
Total External Restrictions	22,355	17,199	(6,576)	32,978

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- D** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- E** 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 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,167	850	(18)	1,999
Employees Leave Entitlement	2,211	37	-	2,248
Carry Over Works	-	1,096	-	1,096
Artarmon Redevelopment	62	-	-	62
Asset Improvement	1,377	1,801	(517)	2,661
CBD Event Activities	103	170	(50)	223
CBD Property	750	-	-	750
Community Facilities	20	-	-	20
Constant Companion	118	-	(118)	-
Depot	3,376	111	(570)	2,917
Election	50	50	-	100
Employee Overheads	741	157	-	898
Environmental Development Plan	929	1,323	(105)	2,147
Information Technology	944	-	(147)	797
Innovation	580	2,299	(123)	2,756
Insurance Claims	179	-	-	179
Open Space	5,452	115	(1,530)	4,037
Paid Parking	1,739	-	(884)	855
Property Plan	4,749	1,074	(788)	5,035
Regency Leisure Centre Lease	2,295	343	-	2,638
Repair to Damage-Road and Footway	437	250	-	687
Stormwater Management	262	-	(232)	30
Sustainability Initiative	1,320	-	-	1,320
The Concourse	9,318	6,949	(5,149)	11,118
Car Park Management	-	93	-	93
Total Internal Restrictions	38,179	16,718	(10,231)	44,666
TOTAL RESTRICTIONS	60,534	33,917	(16,807)	77,644

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		795	36	756	41
User Charges & Fees		2,108	-	1,272	-
Accrued Revenues					
- Interest on Investments		719	-	573	-
- Other Income Accruals		595	-	665	-
Government Grants & Subsidies		213	-	562	-
Amounts due from Other Councils		84	-	106	-
Net GST Receivable		471	-	683	-
Other Debtors		157	-	299	-
Total		5,142	36	4,916	41
less: Provision for Impairment					
User Charges & Fees		(329)	-	(206)	-
Total Provision for Impairment - Receivables		(329)	-	(206)	-
<u>TOTAL NET RECEIVABLES</u>		<u>4,813</u>	<u>36</u>	<u>4,710</u>	<u>41</u>
Externally Restricted Receivables					
Domestic Waste Management		348	-	182	-
Total External Restrictions		348	-	182	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		4,465	36	4,528	41
TOTAL NET RECEIVABLES		<u>4,813</u>	<u>36</u>	<u>4,710</u>	<u>41</u>

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 8.50% (2014 9.00%).
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 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		24	-	28	-
Total Inventories		24	-	28	-
Other Assets					
Prepayments		493	-	391	-
Total Other Assets		493	-	391	-
TOTAL INVENTORIES/OTHER ASSETS		517	-	419	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Other Disclosures

Inventory Write Downs

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period						as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	453	-	-	-	453	1,202	-	-	(173)	-	-	1,482	-	-	-	1,482
Plant & Equipment	-	6,903	4,892	-	2,011	545	(66)	(749)	-	-	-	-	6,939	5,198	-	1,741
Office Equipment	-	1,960	1,131	-	829	134	-	(233)	-	-	-	-	2,069	1,339	-	730
Furniture & Fittings	-	1,011	414	-	597	107	-	(60)	-	-	-	-	1,119	475	-	644
Land:																
- Operational Land	-	366,454	-	-	366,454	-	-	-	-	-	-	-	366,454	-	-	366,454
- Community Land	-	1,722,825	-	-	1,722,825	-	-	-	-	-	-	-	1,722,825	-	-	1,722,825
Land Improvements - depreciable	-	2,159	557	-	1,602	261	-	(116)	-	-	-	-	2,410	663	-	1,747
Buildings - Non Specialised	-	7,118	1,722	-	5,396	-	-	(53)	-	-	-	-	7,118	1,775	-	5,343
Buildings - Specialised	-	284,612	9,170	-	275,442	444	-	(1,431)	-	-	-	-	285,056	10,601	-	274,455
Other Structures	-	10,156	1,814	-	8,342	138	-	(312)	-	-	-	-	10,292	2,124	-	8,168
Infrastructure:																
- Roads	-	245,818	65,996	-	179,822	2,437	-	(2,242)	-	-	4,054	-	245,924	61,853	-	184,071
- Bridges	-	9,799	2,421	-	7,378	108	-	(414)	-	-	2,833	-	11,369	1,464	-	9,905
- Footpaths	-	61,394	9,274	-	52,120	1,418	-	(803)	-	(60)	-	-	61,715	9,040	-	52,675
- Bulk Earthworks (non-depreciable)	-	20,750	-	-	20,750	-	-	-	-	-	-	-	20,750	-	-	20,750
- Stormwater Drainage	-	113,191	32,324	-	80,867	1,673	-	(1,265)	-	-	2,606	-	115,075	31,194	-	83,881
- Swimming Pools	-	3,892	868	-	3,024	-	-	(47)	-	-	-	-	3,892	915	-	2,977
- Other Open Space/Recreational Assets	-	30,591	9,767	-	20,824	318	-	(1,710)	31	-	4,456	-	34,213	10,294	-	23,919
Other Assets:																
- Library Books	-	7,344	5,821	-	1,523	431	-	(540)	-	-	-	-	7,775	6,361	-	1,414
- Other	-	6,636	2,373	-	4,263	1,299	-	(576)	142	-	-	-	6,781	1,653	-	5,128
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	453	2,902,613	148,544	-	2,754,522	10,515	(66)	(10,551)	-	(60)	13,949	1,482	2,911,776	144,949	-	2,768,309

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$5,809) and New Assets (\$715).

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 2015

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

\$ '000

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

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

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		7,304	-	5,853	-
Payments Received In Advance		918	-	626	-
Accrued Expenses:					
- Borrowings		161	-	177	-
- Other Expenditure Accruals		721	-	31	-
Security Bonds, Deposits & Retentions		7,577	-	6,565	-
Other		267	-	242	-
Total Payables		16,948	-	13,494	-
Borrowings					
Loans - Secured ¹		3,784	44,795	3,620	47,860
Deferred Payment Liabilities		75	941	75	1,016
Total Borrowings		3,859	45,736	3,695	48,876
Provisions					
Employee Benefits;					
Annual Leave		3,034	-	3,000	-
Long Service Leave		7,171	222	6,967	215
Gratuities		-	109	-	106
ELE On-Costs		742	13	807	14
Public Liability Claims		113	44	94	53
Total Provisions		11,060	388	10,868	388
Total Payables, Borrowings & Provisions		31,867	46,124	28,057	49,264
(i) Liabilities relating to Restricted Assets					
		2015		2014	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		110	-	103	-
Other		2,000	-	2,000	-
Liabilities relating to externally restricted assets		2,110	-	2,103	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		2,110	-	2,103	-
Total Liabilities relating to Unrestricted Assets		29,757	46,124	25,954	49,264
TOTAL PAYABLES, BORROWINGS & PROVISIONS		31,867	46,124	28,057	49,264

¹ 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 2015

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

\$ '000	Actual 2015	Actual 2014
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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	7,953	8,419
Payables - Security Bonds, Deposits & Retentions	6,236	5,296
	<u>14,189</u>	<u>13,715</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	3,000	2,102	(2,068)	-	-	3,034
Long Service Leave	7,182	738	(527)	-	-	7,393
ELE On-Costs	821	(66)	-	-	-	755
Gratuities	106	3	-	-	-	109
Other	147	10	-	-	-	157
TOTAL	11,256	2,787	(2,595)	-	-	11,448

- 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 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	6,250	6,688
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		6,250	6,688
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		20,909	32,137
Adjust for non cash items:			
Depreciation & Amortisation		10,551	11,895
Net Losses/(Gains) on Disposal of Assets		(158)	(189)
Non Cash Capital Grants and Contributions		-	(14,115)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(28)	(122)
- Investment Properties		(2,152)	(2,782)
- Fair Valuation Adjustment (re-measurement) of existing Loans to Council		719	723
Share of Net (Profits) or Losses of Associates/Joint Ventures		5	3
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(221)	1,937
Increase/(Decrease) in Provision for Doubtful Debts		123	98
Decrease/(Increase) in Inventories		4	(2)
Decrease/(Increase) in Other Assets		(102)	54
Increase/(Decrease) in Payables		1,451	(609)
Increase/(Decrease) in accrued Interest Payable		(16)	(12)
Increase/(Decrease) in other accrued Expenses Payable		690	(135)
Increase/(Decrease) in Other Liabilities		1,329	860
Increase/(Decrease) in Employee Leave Entitlements		182	(260)
Increase/(Decrease) in Other Provisions		10	(87)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		33,296	29,394
(c) Non-Cash Investing & Financing Activities			
Land Dedications		-	14,115
Total Non-Cash Investing & Financing Activities		-	14,115
(d) Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		1,200	1,200
Total Financing Arrangements		1,200	1,200

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		789	2,435
Plant & Equipment		395	-
Other Structures		25	739
Other Assets		20	1,100
Roads		536	121
Drainage		167	99
Bridges		1,157	183
Swimming Pools		67	134
Open Space		3,733	966
Investment Property			
- Buildings		74	410
Total Commitments		6,963	6,187
These expenditures are payable as follows:			
Within the next year		6,963	6,187
Total Payable		6,963	6,187
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		519	567
Sect 94 Funds/Reserves		1,287	839
Unexpended Grants		26	10
Other Reserves		5,096	4,771
Other Revenue		35	-
Total Sources of Funding		6,963	6,187

(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	318	364
Later than one year and not later than 5 years	453	447
Total Non Cancellable Operating Lease Commitments	771	811

b. Non Cancellable Operating Leases include the following assets:

Computer & Other Plant & 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 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>6,466</u>	6.22%	11.81%	0.60%
Total continuing operating revenue ⁽¹⁾	<u>103,930</u>			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>96,845</u>	82.94%	81.98%	83.46%
Total continuing operating revenue ⁽¹⁾	<u>116,759</u>			
(excl. Capital Grants & Contributions)				
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>62,116</u>	3.99x	4.41	3.45
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>15,568</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>19,960</u>	3.01x	4.14	1.75
Principal Repayments (from the Statement of Cash Flows)	<u>6,638</u>			
+ Borrowing Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>831</u>	1.43%	1.43%	2.04%
Rates, Annual and Extra Charges Collectible	<u>58,192</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents				
<u>+ All Term Deposits</u>	<u>85,097</u>	10.82	8.39	6.46
Payments from cash flow of operating and financing activities	<u>7,868</u>	mths		

Notes

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

(2) Refer Notes 6-8 inclusive.

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

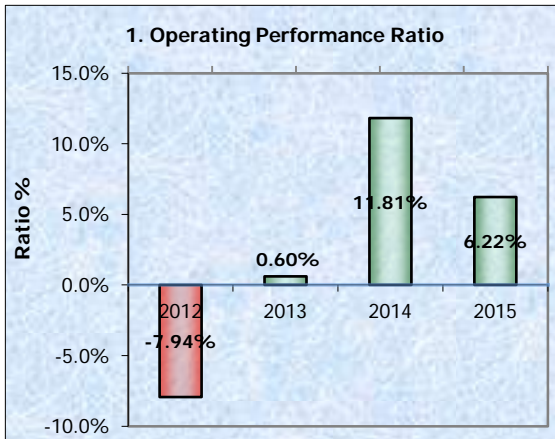
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) - excludes all payables & 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 2015

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 2014/15 Result

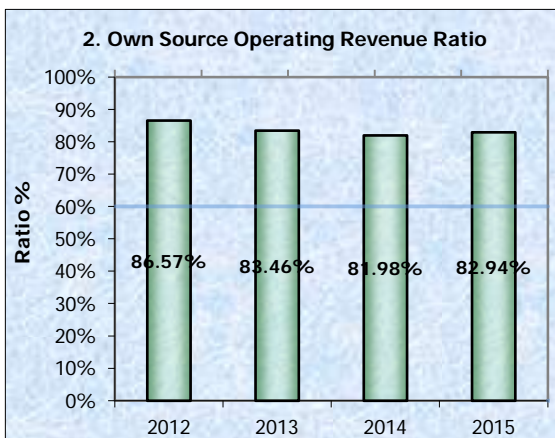
2014/15 Ratio 6.22%

Council continues to trend positively with the Benchmark of 0%.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

 Ratio is within Benchmark
 Ratio is outside Benchmark



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 2014/15 Result

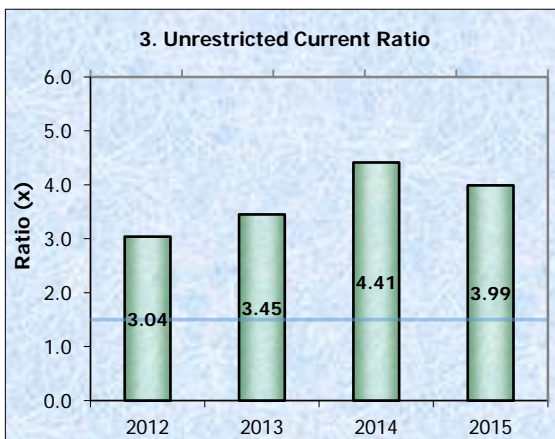
2014/15 Ratio 82.94%

The Ratio compares adequately to the Benchmark of 60%.

Benchmark: ——— Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

 Ratio is within Benchmark
 Ratio is outside Benchmark



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 2014/15 Result

2014/15 Ratio 3.99x

Council continues to compare very well to the Industry Benchmark of 1.5:1

Benchmark: ——— Minimum ≥ 1.50

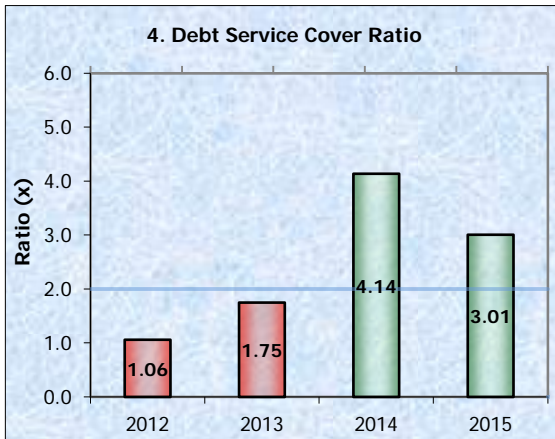
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

 Ratio is within Benchmark
 Ratio is outside Benchmark

Willoughby City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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



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 2014/15 Result

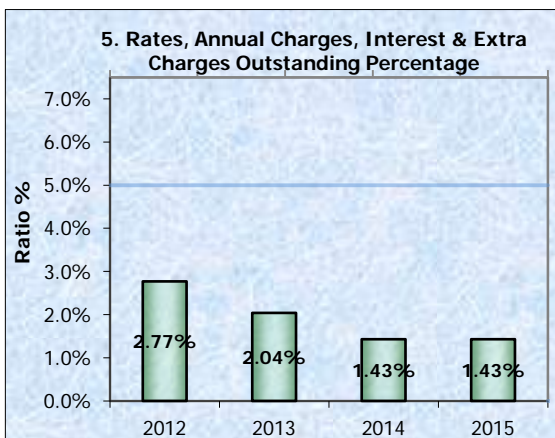
2014/15 Ratio 3.01x

This indicator emphasises that Council's defined Operating Result maintains the capacity to meet its annual debt requirements, with the inclusion of the additional Principal repayment on the ANZ Concourse linked loan. The 14/15 result exceeds the Benchmark of 2.0.

Benchmark: ——— Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

 Ratio is within Benchmark
 Ratio is outside Benchmark



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 2014/15 Result

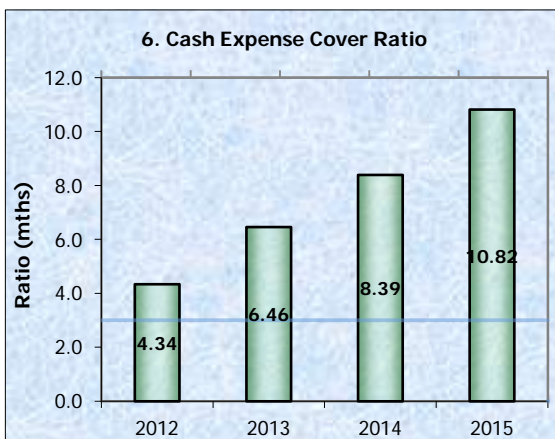
2014/15 Ratio 1.43%

The result can be linked to both capacity to pay and internal policy. It compares very favourably to the Benchmark of 5%.

Benchmark: ——— Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

 Ratio is within Benchmark
 Ratio is outside Benchmark



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 2014/15 Result

2014/15 Ratio 10.82 mths

Council's indicator compares very favourably to the Industry Benchmark of 3 months.

Benchmark: ——— Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

 Ratio is within Benchmark
 Ratio is outside Benchmark

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
(a) Investment Properties at Fair value			
Investment Properties on Hand		67,717	64,903
Reconciliation of Annual Movement:			
Opening Balance		64,903	61,940
- Capitalised Expenditure - this year		662	181
- Net Gain/(Loss) from Fair Value Adjustments		2,152	2,782
CLOSING BALANCE - INVESTMENT PROPERTIES		67,717	64,903
(b) Valuation Basis			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2015 revaluations were based on Independent Assessments made by: Daniel Atherton - Registered Valuer B Bus (RE & Dev) GAPI - APV Valuers and Asset Management			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:			
Within 1 year		5,001	4,884
Later than 1 year but less than 5 years		14,325	16,551
Later than 5 years		10,792	14,760
Total Minimum Lease Payments Receivable		30,118	36,195
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		4,877	3,627
Direct Operating Expenses on Investment Properties:			
- that did not generate rental income		(314)	(491)
Net Revenue Contribution from Investment Properties		4,563	3,136
plus:			
Fair Value Movement for year		2,152	2,782
Total Income attributable to Investment Properties		6,715	5,918

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 2015

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 Business Unit under policies approved by 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	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	6,250	6,688	6,250	6,688
Investments				
- "Designated At Fair Value on Initial Recognition"	5,015	5,487	5,015	5,487
- "Held to Maturity"	78,847	59,261	78,847	59,261
Receivables	4,849	4,751	4,849	4,751
Total Financial Assets	94,961	76,187	94,961	76,187
Financial Liabilities				
Payables	16,030	12,868	16,030	12,868
Loans / Advances	44,089	47,784	49,595	52,571
Total Financial Liabilities	60,119	60,652	65,625	65,439

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 2015

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 Business Unit 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 its 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 these 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
2015				
Possible impact of a 10% movement in Market Values	501	501	(501)	(501)
Possible impact of a 1% movement in Interest Rates	851	851	(851)	(851)
2014				
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)

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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:

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	71%	0%	71%
Overdue	100%	29%	100%	29%
	100%	100%	100%	100%

		2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	-	2,926	-	2,957
< 1 year overdue	0 - 30 days overdue	654	260	629	112
1 - 2 years overdue	30 - 60 days overdue	55	306	56	215
2 - 5 years overdue	60 - 90 days overdue	54	40	48	28
> 5 years overdue	> 90 days overdue	68	815	64	848
		831	4,347	797	4,160

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	206	108
+ new provisions recognised during the year	163	149
- amounts already provided for & written off this year	(16)	(33)
- amounts provided for but recovered during the year	(24)	(18)
Balance at the end of the year	329	206

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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		
2015									
Trade/Other Payables	7,577	8,453	-	-	-	-	-	16,030	16,030
Loans & Advances	-	5,817	4,780	3,334	3,377	3,421	81,737	102,466	49,595
Total Financial Liabilities	7,577	14,270	4,780	3,334	3,377	3,421	81,737	118,496	65,625
2014									
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
Total Financial Liabilities	6,565	12,275	11,924	4,071	4,619	2,582	76,186	118,222	65,439

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	16,030	0.0%	12,868	0.0%
Loans & Advances - Fixed Interest Rate	14,249	6.2%	15,479	6.2%
Loans & Advances - Variable Interest Rate	35,346	3.8%	37,092	3.8%
	<u>65,625</u>		<u>65,439</u>	

Dexia Loan

Included in the Statement of Financial Position within Borrowings is the Fair Value of \$32.346M re a loan financed in 2008 for \$30M. This notation is to advise that had Council decided to pay out the loan at 30th June 2015 the payout figure was estimated by Robert Nankivell of Denison Financial Advisory to be \$43.246M.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 10 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	56,621	57,288	668	1%	F
User Charges & Fees	17,366	18,515	1,149	7%	F
Interest & Investment Revenue	2,155	2,812	657	30%	F
The positive variance can be attributed to a greater than anticipated principal amount invested over the 12 months together with a unbudgeted fair value increment on investments of \$28K.					
Other Revenues	16,108	20,410	4,302	27%	F
The positive variance can in the main be attributed to an unbudgeted fair value increment on Investment Properties of \$2.152M together with unbudgeted Sponsorship income of \$670K.					
Operating Grants & Contributions	5,989	7,085	1,096	18%	F
The positive variance can in the main be attributed to Fee Relief Assistance funding exceeding budget by \$557K.					
Capital Grants & Contributions	5,045	12,829	7,784	154%	F
The positive variance can be attributed to unbudgeted Affordable Housing contributions of \$5.771M together with Section 94/A contributions exceeding budget by \$2.461M.					
Net Gains from Disposal of Assets	266	158	(108)	(41%)	U
The negative variance can be attributed to the net impact a lower than anticipated fleet turnover.					

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	41,317	40,539	778	2%	F
Borrowing Costs	2,289	2,943	(654)	(29%)	U
The negative variance can be attributed to an unbudgeted fair valuation of Council's CPI Linked Loan of \$719K.					
Materials & Contracts	31,184	31,085	99	0%	F
Depreciation & Amortisation	12,309	10,551	1,758	14%	F
The positive variance can be attributed to staff adjusting the useful lives of assets within a number of asset classes following a benchmarking exercise across the industry.					
Other Expenses	13,594	13,065	529	4%	F
Net Losses from Disposal of Assets	90	-	90	100%	F
The positive variance is based on the fact that there was no loss on disposal of assets.					
Joint Ventures & Associates - Net Losses	5	5	-	0%	F

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

Cash Flows from Operating Activities	16,062	33,296	17,234	107.3%	F
The positive variance can be attributed to cash flows exceeding budget in the following areas : Rates & Annual Charges by \$1.020M, Interest on Investments by \$483K, Grants & Contributions by \$9.2M, Bonds & Deposits \$1.012M and Other Revenues by \$2.59M.					
Cash Flows from Investing Activities	(7,570)	(30,039)	(22,469)	296.8%	U
The variance is based on the greater than anticipated purchase of investments during the year.					
Cash Flows from Financing Activities	(3,697)	(3,695)	2	(0.1%)	F

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	-	-	-	-	(157)	157	-	1,683	(1,508)	175	(157)
Roads	1,863	-	-	10	(1,052)	-	821	-	(808)	13	-
Traffic Facilities	2,931	849	-	36	(779)	-	3,037	19,032	(22,017)	52	-
Parking	679	-	-	7	(56)	-	630	21,035	(21,517)	148	-
Open Space/Community Facilities	-	1,570	-	7	(952)	-	625	16,832	(19,350)	(1,893)	-
Child Care	4,455	211	-	47	(500)	(157)	4,056	806	(4,635)	227	157
(R/A) Inc Non CBD	1,859	1,553	-	35	(500)	-	2,947	(1,694)	-	1,253	-
(R/A) Inc CBD	933	2,778	-	38	(500)	-	3,249	(3,224)	-	25	-
S94 Contributions - under a Plan	12,720	6,961	-	180	(4,496)	-	15,365	54,470	(69,835)	-	-
Total S94 Revenue Under Plans	12,720	6,961	-	180	(4,496)	-	15,365				-
S94 not under Plans	25	-	-	-	-	-	25	-	(25)	-	-
S93F Planning Agreements	110	-	-	-	-	-	110		(110)		
Total Contributions	12,855	6,961	-	180	(4,496)	-	15,500	54,470	(69,860)	-	-

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	-	-	-	-	(157)	157	-	1,683	(1,508)	175	(157)
Roads	1,863	-	-	10	(1,052)	-	821	-	(808)	13	-
Traffic Facilities	2,931	849	-	36	(779)	-	3,037	19,032	(22,017)	52	-
Parking	679	-	-	7	(56)	-	630	21,035	(21,517)	148	-
Open Space/Community Facilities	-	1,570	-	7	(952)	-	625	16,832	(19,350)	(1,893)	-
Child Care	4,455	211	-	47	(500)	(157)	4,056	806	(4,635)	227	157
(R/A) Inc Non CBD	1,859	1,553	-	35	(500)	-	2,947	(1,694)	-	1,253	-
(R/A) Inc CBD	933	2,778	-	38	(500)	-	3,249	(3,224)	-	25	-
Total	12,720	6,961	-	180	(4,496)	-	15,365	54,470	(69,835)	-	-

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	23	-	-	-	-	-	23	-	(23)	-	-
Parking	2	-	-	-	-	-	2	-	(2)	-	-
Total	25	-	-	-	-	-	25	-	(25)	-	-

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 Council's intention to spend funds in the manner and timing set out in those Plans.

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

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

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

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

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

(iv) Legal Expenses

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

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

ASSETS NOT RECOGNISED:

(i) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

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

Accordingly, at 30 June 2015, 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 2015

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

\$ '000

ASSETS NOT RECOGNISED: (continued)

(ii) Land Under Roads

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

OTHER DISCLOSURES

Fit for The Future

In order to accord with the State Government's Fit for the Future Local Government reform proposal, Council submitted a Template 2 Council Improvement proposal (Stand Alone) to the the Independent Pricing and Regulatory tribunal (IPART) by the 30th June 2015 deadline.

Council developed a strong argument that it has the ability to meet the criteria as outlined by IPART namely:

1. Scale and capacity to engage across community, industry and Governments.
2. Sustainability
3. Effectively managing infrastructure and delivering services for communities
4. Efficiency

OTHER DISCLOSURES (continued)

Fit for The Future (continued)

Council also demonstrated the appropriate revenue base, ability to deliver projects and leadership qualities being sought through the reforms.

Council conducted extensive community consultation and in depth independent research to assist it in the preparation of the submission.

The Council improvement proposal documented that by 2019/2020 Council meet 5 of the 7 Fit for the Future (FFF) Criteria measures and show an improving trend in the Asset Maintenance and Infrastructure Backlog within the "Effective Infrastructure and Service Management" criteria.

The indicators detailed within both Note 13 and Special schedule 7 of the Accounts reaffirm Council's commitment to it's community and the FFF criteria measures and the Infrastructure backlog ratio actually exceeded expectations in 2014/2015.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

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;

Controlled Entities (Subsidiaries)

Note 19(a)

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

Joint Ventures & Associates

Note 19(b)

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

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

Joint Operations

Note 19(c)

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

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Accounting Recognition:

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

(ii) Joint Ventures and Associates as per 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 2015	Actual 2014	Actual 2015	Actual 2014
Joint Ventures	(5)	(3)	56	61
Associates	-	-	-	-
Total	(5)	(3)	56	61

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into it's consolidated Financial Statements.

(a) Net Carrying Amounts - Council's Share

Name of Entity	Nature of Relationship	Measurement Method	2015	2014
Shorelink Library Network	Joint Venture	Equity Method	56	61
Total Carrying Amounts - Material Joint Ventures and Associates			56	61

(b) Details

Name of Entity	Principal Activity	Place of Business
Shorelink Library Network	Public Library Services	North Shore

(c) Relevant Interests & Fair Values

Name of Entity	Interest in Outputs		Interest in Ownership	
	2015	2014	2015	2014
Shorelink Library Network	37%	33%	24%	24%

(d) Summarised Financial Information for Joint Ventures & Associates

	Shorelink Library Network	
	2015	2014
Statement of Financial Position		
Current Assets		
Cash and Cash Equivalents	296	299
Total Current Assets	296	299
Non-Current Assets	15	26
Current Liabilities		
Other Current Liabilities	82	74
Total Current Liabilities	82	74
Net Assets	229	251
Reconciliation of the Carrying Amount		
Opening Net Assets (1 July)	251	266
Profit/(Loss) for the period	(22)	(15)
Closing Net Assets	229	251
Council's share of Net Assets (%)	24.3%	24.3%
Council's share of Net Assets (\$)	56	61

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Joint Ventures and Associates (continued)

(d) Summarised Financial Information for Joint Ventures & Associates (continued)

	Shorelink Library Network	
	2015	2014
Statement of Comprehensive Income		
Income	604	562
Interest Income	8	8
Depreciation & Amortisation	(15)	(21)
Other Expenses	(611)	(558)
Profit/(Loss) from Continuing Operations	(14)	(9)
Profit/(Loss) for Period	(14)	(9)
Total Comprehensive Income	(14)	(9)
Council's share of Income (%)	37.2%	33.2%
Council's share of Profit/(Loss) (\$)	(5)	(3)
Council's share of Comprehensive Income (\$)	(5)	(3)

(c) Joint Operations

Council has no interest in any Joint Operations.

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		2,438,511	2,402,998
a. Correction of Prior Period Errors	20 (c)	-	-
b. Net Operating Result for the Year		20,909	32,137
Balance at End of the Reporting Period		<u>2,459,420</u>	<u>2,438,511</u>
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		394,149	380,260
Total		<u>394,149</u>	<u>380,260</u>
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		380,260	367,584
- Revaluations for the year	9(a)	13,889	12,676
- Balance at End of Year		<u>394,149</u>	<u>380,260</u>
TOTAL VALUE OF RESERVES		<u>394,149</u>	<u>380,260</u>
(iii) Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			
(c) Correction of Error/s relating to a Previous Reporting Period			
First time recognition of Assets relating to Parks, Playgrounds and Sporting Fields			3,376
This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/13.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/13 (relating to adjustments for the 30/6/14 year end)		-	3,376
Total Prior Period Adjustments - Prior Period Errors		<u>-</u>	<u>3,376</u>

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) 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 29/09/15.

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 2015.

(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 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary 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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Note 27. Fair Value Measurement

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:

	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	
2015					
Recurring Fair Value Measurements					
Financial Assets					
Investments					
At Fair Value through profit or loss	30/06/15	-	-	5,015	5,015
Total Financial Assets		-	-	5,015	5,015
Financial Liabilities					
Loans / Advances	30/06/15	-	-	32,346	32,346
Total Financial Liabilities		-	-	32,346	32,346
Investment Properties					
Retail & Commercial Premises	30/06/15	-	-	67,717	67,717
Total Investment Properties		-	-	67,717	67,717
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/15	-	-	1,741	1,741
Office Equipment	30/06/15	-	-	730	730
Furniture & Fittings	30/06/15	-	-	644	644
Operational Land	30/06/15	-	-	366,454	366,454
Community Land	30/06/15	-	-	1,722,825	1,722,825

(continued on the next page...)

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

2015	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	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment cont'd					
Land Improvements Depreciable	30/06/15	-	-	1,747	1,747
Buildings-Non Specialised	30/06/15	-	-	5,343	5,343
Buildings-Specialised	30/06/15	-	-	274,455	274,455
Other Structures	30/06/15	-	-	8,168	8,168
Roads	30/06/15	-	-	184,071	184,071
Bridges	30/06/15	-	-	9,905	9,905
Footpaths	30/06/15	-	-	52,676	52,676
Bulk Earthworks	30/06/15	-	-	20,750	20,750
Stormwater Drainage	30/06/15	-	-	83,881	83,881
Swimming Pools	30/06/15	-	-	2,977	2,977
Other Open Space/Recreational	30/06/15	-	-	23,919	23,919
Library Books	30/06/15	-	-	1,414	1,414
Other	30/06/15	-	-	6,609	6,609
Total Infrastructure, Property, Plant & Equipment		-	-	2,768,309	2,768,309
2014					
Financial Assets					
Investments					
At Fair Value through profit or loss	30/06/14	-	-	5,487	5,487
Total Financial Assets		-	-	5,487	5,487
Financial Liabilities					
Loans / Advances	30/06/14	-	-	32,092	32,092
Total Financial Liabilities		-	-	32,092	32,092
Investment Properties					
Retail & Commercial Premises	30/06/14	-	-	64,903	64,903
Total Investment Properties		-	-	64,903	64,903
Infrastructure, Property, Plant & Equipment					
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	-	-	4,716	4,716
Total Infrastructure, Property, Plant & Equipment		-	-	2,754,522	2,754,522

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

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

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

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

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

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

Financial Assets

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

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

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

Financial Liabilities

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

Included in the Statement of Financial Position within Borrowings is the fair Value of \$32.346M re a loan financed in 2008 for \$30M. This notation is to advise that had Council decided to pay out the loan as at 30th June 2015 the payout figure was estimated by Robert Nankivell of Denison Financial Advisory to be \$43.246M.

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 2015. 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 2015

Note 27. Fair Value Measurement (continued)

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.

Infrastructure, Property, Plant & Equipment

Plant and Equipment, Office Equipment and Furniture and Fittings

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

Examples of assets within these classes are as follows:

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

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

Operational Land

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

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

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

Community Land

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

Buildings – Non Specialised & Specialised

Buildings were valued by APV Valuers and Asset Management in June 2013 using the cost approach.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

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

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 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.

Willoughby City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Stormwater Drainage

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

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

Swimming Pools

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

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

Other Open Space/Recreational

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

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

Library Books

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

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

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

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.

Willoughby City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

(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 2015

Note 27. Fair Value Measurement (continued)

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 2015

Note 28. Financial Review

\$ '000

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

Financial Performance Figures	2015	2014	2013	2012	2011
Inflows:					
Rates & Annual Charges Revenue	57,288	54,439	52,209	49,605	47,379
User Charges Revenue	18,515	17,429	18,221	17,002	15,781
Interest & Investment Revenue (Losses)	2,812	2,505	3,238	3,046	3,893
Grants Income - Operating & Capital	6,222	4,781	5,517	6,786	7,882
Total Income from Continuing Operations	119,097	128,548	110,446	103,452	108,893
Sale Proceeds from I,PP&E	224	296	325	26,744	2,978
New Loan Borrowings & Advances	-	-	2,000	-	25,000
Outflows:					
Employee Benefits & On-cost Expenses	40,539	39,129	38,340	37,173	36,305
Borrowing Costs	2,943	3,113	3,258	3,682	3,472
Materials & Contracts Expenses	31,085	28,971	29,555	29,581	26,811
Total Expenses from Continuing Operations	98,188	96,411	95,379	96,521	87,840
Total Cash purchases of I,PP&E	10,515	9,809	11,986	20,492	62,219
Total Loan Repayments (incl. Finance Leases)	3,695	3,610	6,382	4,306	1,189
Operating Surplus/(Deficit) (excl. Capital Income)	8,080	15,175	3,868	471	13,995
Financial Position Figures	2015	2014	2013	2012	2011
Current Assets	90,427	73,549	58,074	50,328	55,161
Current Liabilities	31,867	28,057	28,170	25,149	25,465
Net Current Assets	58,560	45,492	29,904	25,179	29,696
Available Working Capital (Unrestricted Net Current Assets)	2,499	4,364	3,667	430	18,980
Cash & Investments - Unrestricted	12,468	10,902	8,011	5,277	2,499
Cash & Investments - Internal Restrictions	44,666	38,179	28,543	25,861	16,264
Cash & Investments - Total	90,112	71,436	55,224	45,460	35,472
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	49,595	52,571	55,458	59,109	62,689
Total Value of I,PP&E (excl. Land & Earthworks)	803,229	793,037	775,878	753,666	749,807
Total Accumulated Depreciation	144,949	148,544	145,317	147,107	150,908
Indicative Remaining Useful Life (as a % of GBV)	82%	81%	81%	80%	80%

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 2015

Note 29. Council Information & Contact Details

Principal Place of Business:

31 Victor Street
Chatswood NSW 2067

Contact Details**Mailing Address:**

PO Box 57
Chatswood NSW 2067

Opening Hours:

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

Telephone: 02 9777 1000

Facsimile: 02 9411 8309

Internet: www.willoughby.nsw.gov.au

Email: email@willoughby.nsw.gov.au

Officers**GENERAL MANAGER**

Debra Just

RESPONSIBLE ACCOUNTING OFFICER

Mark McDonald

PUBLIC OFFICER

Marnie Hillman

AUDITORS

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Elected Members**MAYOR**

Gail Giles Gidney

COUNCILLORS

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

Other Information

ABN: 47 974 826 099



The Willoughby City Council

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

Report on the financial statements

We have audited the accompanying financial statements of the Willoughby City Council, which comprise the statement of financial position as at 30 June 2015 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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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2015 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.

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PricewaterhouseCoopers

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

Peter Buchholz
Partner

Sydney
29 September 2015



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 2015 – Section 417(3)

We have completed our audit of the financial reports of the Willoughby City Council for the year ended 30 June 2015, 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 declined from \$32 million to \$21 million during the period under review. The result before capital items was a surplus of \$8 million compared to \$15 million in the previous year.

Cash Position

Council's overall cash position increased from \$71 million to \$90 million during the period under review. The following table highlights the composition of cash.

	June 2015 \$m	June 2014 \$m
Externally restricted	33	21
Internally restricted	45	39
Unrestricted	12	11
Total	90	71



Working Capital

Council’s net current assets improved from \$45 million to \$59 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.

	June 2015	June 2014
	\$m	\$m
Net current assets	59	45
Less:		
External restrictions	(28)	(18)
Internal restrictions	(44)	(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 2015/16 budget upon was \$2 million.

Performance Indicators

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

	June 2015	June 2014
	%	%
Operating Performance Ratio	6	12
Own Source Operating Revenue	83	82
Unrestricted Current Ratio	399	441
Debt Service Cover Ratio	301	414
Rates Outstanding Ratio	1.4	1.4
Cash Expense Cover Ratio	11	8

The Operating Performance Ratio declined but was well above the industry benchmark of 0%.

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

The Unrestricted Current Ratio declined but remained well above the industry benchmark of 150%.

The Debt Service Cover Ratio declined but remained above the industry benchmark of 200%.

The Rates Outstanding Ratio was steady 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 her 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 '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
29 September 2015

Willoughby City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2015

“...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 2015

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
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
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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).

Willoughby City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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:

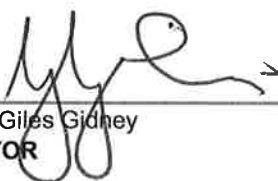
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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 28 September 2015.



Gail Giles Gidney
MAYOR



Michelle Sloane
DEPUTY MAYOR



Debra Just
GENERAL MANAGER



Mark McDonald
RESPONSIBLE ACCOUNTING OFFICER

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Willoughby
Leisure Centre

Category 1

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	-	-
User charges	-	-
Fees	2,519	2,589
Interest	-	-
Grants and contributions provided for non capital purposes	-	11
Profit from the sale of assets	-	-
Other income	760	816
Total income from continuing operations	3,279	3,416
Expenses from continuing operations		
Employee benefits and on-costs	2,245	2,227
Borrowing costs	-	-
Materials and contracts	615	509
Depreciation and impairment	101	114
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	838	877
Total expenses from continuing operations	3,799	3,727
Surplus (deficit) from Continuing Operations before capital amounts	(520)	(311)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(520)	(311)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(520)	(311)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(520)	(311)
plus Opening Retained Profits	(1,099)	(788)
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	(1,619)	(1,099)
Return on Capital %	-5.7%	-3.4%
Subsidy from Council	795	638

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

	Devonshire Child Care Category 2		Family Day Care Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
\$ '000				
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	923	919	194	218
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	459	370	792	735
Profit from the sale of assets	-	-	-	-
Other income	-	6	3	2
Total income from continuing operations	1,382	1,295	989	955
Expenses from continuing operations				
Employee benefits and on-costs	1,225	1,119	300	346
Borrowing costs	-	-	-	-
Materials and contracts	104	100	10	11
Depreciation and impairment	8	9	13	12
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	295	324	766	676
Total expenses from continuing operations	1,632	1,552	1,089	1,045
Surplus (deficit) from Continuing Operations before capital amounts	(250)	(257)	(100)	(90)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(250)	(257)	(100)	(90)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(250)	(257)	(100)	(90)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(250)	(257)	(100)	(90)
plus Opening Retained Profits	(2,074)	(1,817)	(1,307)	(1,217)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(2,324)	(2,074)	(1,407)	(1,307)
Return on Capital %	-23.6%	-24.1%	-208.3%	-147.5%
Subsidy from Council	282	295	101	92

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

	Before/After School Care Category 2		Artarmon Child Care Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
\$ '000				
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	929	981	424	423
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	370	302	240	203
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	1,299	1,283	664	626
Expenses from continuing operations				
Employee benefits and on-costs	719	717	490	525
Borrowing costs	-	-	-	-
Materials and contracts	78	70	42	45
Depreciation and impairment	-	-	6	6
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	172	169	177	166
Total expenses from continuing operations	969	956	715	742
Surplus (deficit) from Continuing Operations before capital amounts	330	327	(51)	(116)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	330	327	(51)	(116)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	330	327	(51)	(116)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(99)	(98)	-	-
SURPLUS (DEFICIT) AFTER TAX	231	229	(51)	(116)
plus Opening Retained Profits	327	-	(1,379)	(1,263)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	99	98	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	657	327	(1,430)	(1,379)
Return on Capital %	n/a	n/a	-20.9%	-46.4%
Subsidy from Council	-	-	58	125

Willoughby City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

	Dougherty Food Services Category 2		Constant Companion Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
\$ '000				
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	148	148	251	322
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	13	-	142	134
Profit from the sale of assets	-	-	-	-
Other income	86	85	5	10
Total income from continuing operations	247	233	398	466
Expenses from continuing operations				
Employee benefits and on-costs	230	216	421	301
Borrowing costs	-	-	-	-
Materials and contracts	96	90	103	140
Depreciation and impairment	2	3	3	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	39	34	76	85
Total expenses from continuing operations	367	343	603	526
Surplus (deficit) from Continuing Operations before capital amounts	(120)	(110)	(205)	(60)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(120)	(110)	(205)	(60)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(120)	(110)	(205)	(60)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(120)	(110)	(205)	(60)
plus Opening Retained Profits	(1,139)	(1,029)	(640)	(580)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(1,259)	(1,139)	(845)	(640)
Return on Capital %	-19.4%	-17.7%	-20500.0%	-1500.0%
Subsidy from Council	139	132	205	60

Willoughby City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Willoughby
Leisure Centre
Category 1

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	603	469
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	603	469
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	9,121	9,195
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total Non-Current Assets	9,121	9,195
TOTAL ASSETS	9,724	9,664
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	2,560	2,261
Interest bearing liabilities	8,542	8,285
Provisions	121	109
Total Current Liabilities	11,223	10,655
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	120	108
Other Liabilities	-	-
Total Non-Current Liabilities	120	108
TOTAL LIABILITIES	11,343	10,763
NET ASSETS	(1,619)	(1,099)
EQUITY		
Retained earnings	(1,619)	(1,099)
Revaluation reserves	-	-
Council equity interest	(1,619)	(1,099)
Non-controlling equity interest	-	-
TOTAL EQUITY	(1,619)	(1,099)

Willoughby City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Devonshire Child Care Category 2		Family Day Care Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	132	110	594	549
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	132	110	594	549
Non-Current Assets				
Investments	-	-	-	-
Receivables	533	498	872	695
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	1,059	1,067	48	61
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	1,592	1,565	920	756
TOTAL ASSETS	1,724	1,675	1,514	1,305
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	3,697	3,423	2,832	2,527
Interest bearing liabilities	-	-	-	-
Provisions	174	161	37	35
Total Current Liabilities	3,871	3,584	2,869	2,562
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	177	165	52	50
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	177	165	52	50
TOTAL LIABILITIES	4,048	3,749	2,921	2,612
NET ASSETS	(2,324)	(2,074)	(1,407)	(1,307)
EQUITY				
Retained earnings	(2,324)	(2,074)	(1,407)	(1,307)
Revaluation reserves	-	-	-	-
Council equity interest	(2,324)	(2,074)	(1,407)	(1,307)
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	(2,324)	(2,074)	(1,407)	(1,307)

Willoughby City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Before/After School Care Category 2		Artarmon Child Care Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	967	479	160	-
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	967	479	160	-
Non-Current Assets				
Investments	1,777	1,779	-	-
Receivables	102	78	109	104
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	244	250
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	1,879	1,857	353	354
TOTAL ASSETS	2,846	2,336	513	354
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	1,946	1,780	1,728	1,521
Interest bearing liabilities	-	-	-	-
Provisions	114	113	92	90
Total Current Liabilities	2,060	1,893	1,820	1,611
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	123	116	121	122
Other Liabilities	6	-	2	-
Total Non-Current Liabilities	129	116	123	122
TOTAL LIABILITIES	2,189	2,009	1,943	1,733
NET ASSETS	657	327	(1,430)	(1,379)
EQUITY				
Retained earnings	657	327	(1,430)	(1,379)
Revaluation reserves	-	-	-	-
Council equity interest	657	327	(1,430)	(1,379)
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	657	327	(1,430)	(1,379)

Willoughby City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

\$ '000	Dougherty Food Services Category 2		Constant Companion Category 2	
	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	-	-	637	660
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	-	637	660
Non-Current Assets				
Investments	-	-	-	-
Receivables	762	756	-	-
Inventories	-	1	-	-
Infrastructure, property, plant and equipment	620	623	1	4
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	1,382	1,380	1	4
TOTAL ASSETS	1,382	1,380	638	664
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	444	418	1,059	942
Interest bearing liabilities	2,133	2,042	230	171
Provisions	22	19	123	121
Total Current Liabilities	2,599	2,479	1,412	1,234
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	42	40	71	70
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	42	40	71	70
TOTAL LIABILITIES	2,641	2,519	1,483	1,304
NET ASSETS	(1,259)	(1,139)	(845)	(640)
EQUITY				
Retained earnings	(1,259)	(1,139)	(845)	(640)
Revaluation reserves	-	-	-	-
Council equity interest	(1,259)	(1,139)	(845)	(640)
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	(1,259)	(1,139)	(845)	(640)

Willoughby City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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 2015

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 2015

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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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 2015

Note 1. Significant Accounting Policies

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

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 3.02% at 30/6/15.

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.



The Willoughby City Council

Independent auditor's report Report on the special purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements, being the special purpose financial statements, of the Willoughby City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2015, the Income Statements by Business Activity for the year then ended, Notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2015.

Councillors' responsibility for the financial report

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial statements, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's responsibility

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

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

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



Auditor's opinion:

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of The Willoughby City Council as of 30 June 2015 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Council.

A handwritten signature in 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
29 September 2015

Willoughby City Council

SPECIAL SCHEDULES

for the year ended 30 June 2015

“...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 2015

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- 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
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¹ 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 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,480	13	-	(1,467)
Administration	21,524	7,387	-	(14,137)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,444	-	-	(1,444)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	2,990	4,987	-	1,997
Animal Control	4	15	-	11
Other	68	-	-	(68)
Total Public Order & Safety	4,506	5,002	-	496
Health	891	678	-	(213)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	3,069	24	-	(3,045)
Solid Waste Management	10,750	14,786	-	4,036
Street Cleaning	1,751	4	-	(1,747)
Drainage	1,841	-	-	(1,841)
Stormwater Management	250	703	-	453
Total Environment	17,661	15,517	-	(2,144)
Community Services and Education				
Administration & Education	1,292	442	-	(850)
Social Protection (Welfare)	502	290	-	(212)
Aged Persons and Disabled	1,042	890	-	(152)
Children's Services	4,850	4,496	-	(354)
Total Community Services & Education	7,686	6,118	-	(1,568)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	1,203	191	-	(1,012)
Town Planning	3,771	1,714	-	(2,057)
Other Community Amenities	1,250	906	5,772	5,428
Total Housing and Community Amenities	6,224	2,811	5,772	2,359
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Willoughby City Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	4,966	363	-	(4,603)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,831	559	-	(1,272)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	2,075	1,036	-	(1,039)
Sporting Grounds and Venues	2,254	688	-	(1,566)
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	5,512	137	20	(5,355)
Other Sport and Recreation	8,860	4,522	3,481	(857)
Total Recreation and Culture	25,498	7,305	3,501	(14,692)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,294	408	-	(886)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,294	408	-	(886)
Transport and Communication				
Urban Roads (UR) - Local	4,865	1,515	-	(3,350)
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	425	-	-	(425)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	2,899	5,450	-	2,551
Footpaths	1,493	176	-	(1,317)
Aerodromes	-	-	-	-
Other Transport & Communication	479	1,001	3,556	4,078
Total Transport and Communication	10,161	8,142	3,556	1,537
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,258	5,733	-	4,475
Total Economic Affairs	1,258	5,733	-	4,475
Totals – Functions	98,183	59,114	12,829	(26,240)
General Purpose Revenues ⁽²⁾		47,154		47,154
Share of interests - joint ventures & associates using the equity method	5	-		(5)
NET OPERATING RESULT ⁽¹⁾	98,188	106,268	12,829	20,909

(1) As reported in the Income Statement

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

Willoughby City Council

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

for the financial year ended 30 June 2015

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,154	16,232	19,386	-	3,154	-	-	1,093	3,303	12,929	16,232
Other	466	26,839	27,305	-	466	-	-	1,131	481	26,358	26,839
Total Loans	3,620	43,071	46,691	-	3,620	-	-	2,224	3,784	39,287	43,071
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	75	1,020	1,095	-	75	-	-	-	75	945	1,020
Total Long Term Debt	75	1,020	1,095	-	75	-	-	-	75	945	1,020
Total Debt	3,695	44,091	47,786	-	3,695	-	-	2,224	3,859	40,232	44,091

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 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Council Offices	-	6	120	1,830	0%	77%	23%	0%	0%
	Council Works Depot	9	146	82	20,499	99%	0%	0%	1%	0%
	Council Halls	13	6	8	669	14%	6%	73%	7%	0%
	Libraries	14	38	38	5,113	66%	22%	11%	1%	0%
	Council Houses	1	48	42	5,343	0%	77%	22%	1%	0%
	Commercial Buildings	300	604	100	65,183	4%	29%	65%	2%	0%
	Childcare Centres	51	59	44	7,591	3%	69%	25%	3%	0%
	Community Centres	138	1,178	578	164,846	96%	1%	2%	1%	0%
	Amenities/Toilets	150	72	142	8,724	5%	27%	62%	6%	0%
	sub total	676	2,157	1,154	279,798	66%	12%	20%	1%	0%
Other Structures	Other Structures	-	80	60	8,168	68%	22%	10%	0%	0%
	sub total	-	80	60	8,168	68%	22%	10%	0%	0%
Roads	Sealed Roads	3,010	2,276	1,813	108,339	8%	55%	36%	1%	0%
	Bridges	92	114	-	9,905	85%	12%	2%	1%	0%
	Footpaths/Cycleways	1,078	1,234	1,087	52,675	63%	18%	15%	4%	0%
	Kerb and Gutter	433	201	53	74,093	76%	19%	4%	1%	0%
	Carparks	6	13	50	1,639	6%	2%	90%	2%	0%
	sub total	4,619	3,838	3,003	246,651	43%	34%	21%	2%	0%

Willoughby City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater	Pipes & Pits	3,519	672	566	83,439	36%	25%	32%	7%	0%
	Gross Pollutant Traps	115	13	-	442	51%	0%	0%	49%	0%
	sub total	3,634	685	566	83,881	36%	25%	32%	7%	0%
Open Space/ Recreational	Swimming Pools	41	100	75	2,977	6%	30%	54%	10%	0%
	Parks & Playgrounds	826	660	676	17,212	8%	17%	59%	16%	0%
	Sporting Fields	1,181	509	509	6,707	22%	35%	36%	7%	0%
	sub total	2,048	1,269	1,260	26,896	11%	23%	53%	13%	0%
Other	Land Improvements Depreciable	-	20	17	1,747	15%	20%	65%	0%	0%
	sub total	-	20	17	1,747	15%	20%	65%	0%	0%
TOTAL - ALL ASSETS		10,977	8,049	6,060	647,141	51%	23%	23%	3%	0%

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). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

Willoughby City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals (Building, Infrastructure & Other Structures) ⁽¹⁾	<u>5,809</u>	70.18%	64.46%	43.84%
Depreciation, Amortisation & Impairment	<u>8,277</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>10,977</u>	1.70%	5.03%	3.85%
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>647,141</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>6,060</u>	0.75	0.62	0.80
Required Asset Maintenance	<u>8,049</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>10,449</u>	0.99	2.01	1.02
Annual Depreciation	<u>10,551</u>			

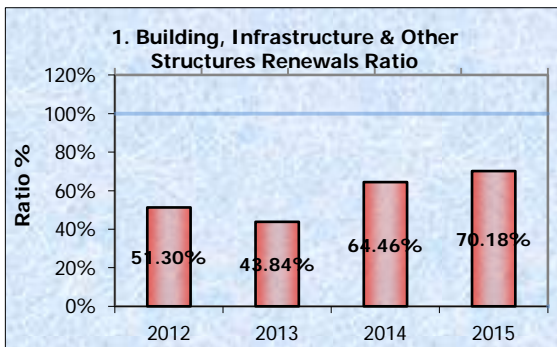
Notes

⁽¹⁾ 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, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Willoughby City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015



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.

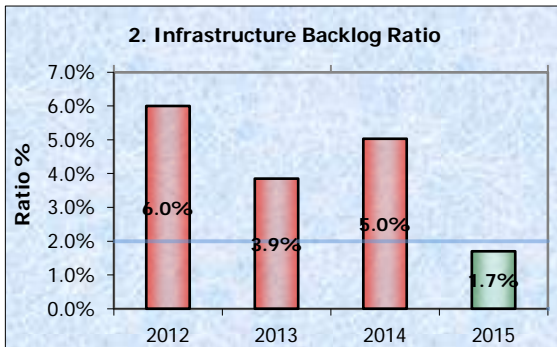
Commentary on 2014/15 Result

2014/15 Ratio 70.18%

This ratio has improved on the 2013/2014 figure largely as a result of a review of the useful lives of a number of asset categories.

Benchmark: —— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

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

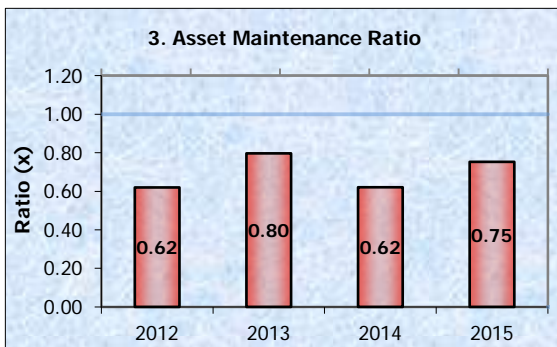
Commentary on 2014/15 Result

2014/15 Ratio 1.70%

The improvement in this ratio is resultant from a change in calculation methodology by determining the cost to bring assets in condition 4 & 5 to condition 3. This will allow appropriate comparability with the industry. Council had previously reported the cost to bring the assets to "as new".

Benchmark: —— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



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.

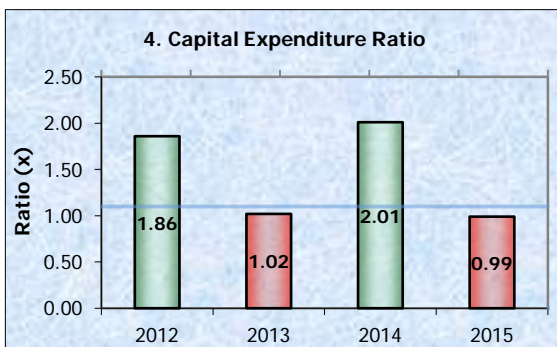
Commentary on 2014/15 Result

2014/15 Ratio 0.75 x

There has been an improvement within this indicator from 2013/2014 however future budgets need to be geared towards providing the necessary funding to meet the required spend. The Long Term Financial Plan will be updated to reflect same.

Benchmark: —— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



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 2014/15 Result

2014/15 Ratio 0.99 x

The level of the required capital carryover funding from 2013/2014 to 2014/2015 has impacted on the annual result. It is anticipated that the indicator will be met in 2015/2016 and beyond.

Benchmark: —— Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Willoughby City Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	41,340	42,676
Plus or minus Adjustments ⁽²⁾	b	412	376
Notional General Income	c = (a + b)	41,752	43,052
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	6.90%
or Rate peg percentage	e	2.30%	0.00%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	-	2,971
or plus Rate peg amount	i = c x e	960	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	42,712	46,023
plus (or minus) last year's Carry Forward Total	l	(14)	4
less Valuation Objections claimed in the previous year	m	(18)	-
sub-total	n = (l + m)	(32)	4
Total Permissible income	o = k + n	42,680	46,027
less Notional General Income Yield	p	42,676	46,088
Catch-up or (excess) result	q = o - p	4	(61)
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	60
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	4	(1)

Notes

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.



The 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 the Willoughby City Council ("the Council") for the year ending 30 June 2016.

Councillors' responsibility for Special Schedule No. 9

The Councillors of the Council are 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. 23. 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 the Willoughby City Council for the year ending 30 June 2016 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of the total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the council and the Office of Local Government.

A handwritten signature in 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
29 September 2015