



# Woollahra Municipal Council

## Annual Report

2015/16

Part 4 –

Financial Information

**Part 4 Financial Information**

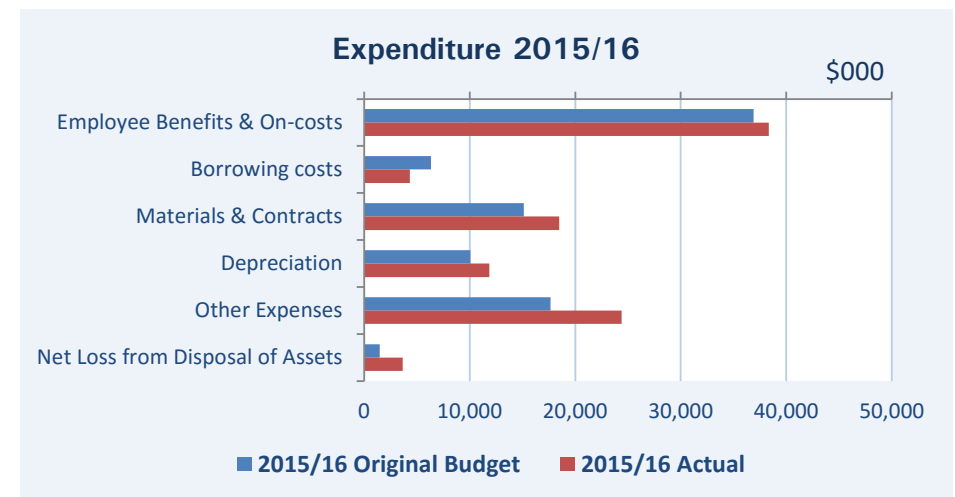
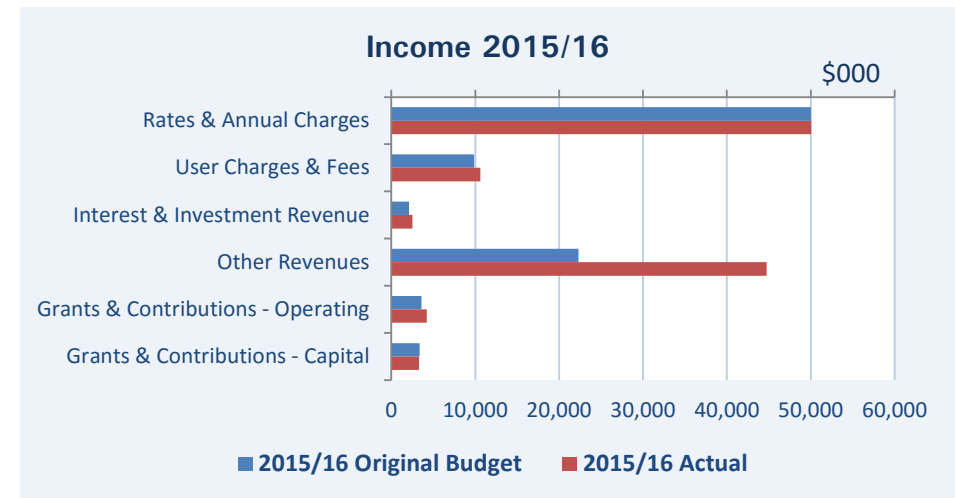
Financial Summary by Goal .....2  
Financial Summary .....3  
Income and Expenditure .....3  
Key Financial Indicators .....4  
Annual Financial Statements .....5

## Financial Summary by Goal

	income \$'000	expenditure \$'000	operating result \$'000	total assets held \$'000
Community well-being				
Goal 1: A connected and harmonious community	18	645	(627)	4,295
Goal 2: A supported community	1,056	2,286	(1,230)	2,367
Goal 3: A creative and vibrant community	519	4,995	(4,476)	4,725
Quality places and spaces				
Goal 4: Well planned neighbourhoods	2,570	5,697	(3,127)	743
Goal 5: Liveable places	6,110	24,482	(18,372)	525,020
Goal 6: Getting around	7,314	11,455	(4,141)	45,049
A healthy environment				
Goal 7: Protecting our environment	323	1,935	(1,612)	41,101
Goal 8: Sustainable use of resources	15,650	10,896	4,754	3,737
Local prosperity				
Goal 9: Community focused economic development	29,986	9,272	20,714	147,720
Community leadership & participation				
Goal 10: Working together	3	779	(776)	45
Goal 11: Well managed council	15,045	24,976	(9,931)	49,046
Governance	5	3,634	(3,629)	0
General Purpose Income	36,765	0	36,765	77,321
<b>Total</b>	<b>\$115,364</b>	<b>\$101,052</b>	<b>\$14,312</b>	<b>\$901,169</b>

**Financial Summary**

	\$'000
Total income from Continuing Operations	\$115,364
Total expenses from Continuing Operations	\$101,052
Net operating surplus for 2014/15	\$14,312
Net operating surplus before Capital Grants and Contributions	\$11,037
<b>New Capital Works</b>	<b>\$6,821</b>
<b>Capital Renewal Works</b>	<b>\$15,567</b>
<b>Total Capital Expenditure</b>	<b>\$22,388</b>
<b>Total Assets</b>	<b>\$901,169</b>
<b>Total Liabilities</b>	<b>\$121,966</b>
<b>Net Assets</b>	<b>\$779,203</b>



**Key Financial Indicators**

Ratio	Purpose	Benchmark	2014/15	2013/14	2012/13
<b>Operating Performance Ratio</b>	Operating Performance Ratio is an indication of continued capacity to meet on-going expenditure requirements.	Greater than or equal to break-even	<b>-4.91%</b>	7.69%	-2.78%
<b>Own Source Revenue Ratio</b>	Own source revenue measures the degree of reliance on external funding sources. Financial flexibility increases as the level of own source revenue increases.	Greater than 60%	<b>92.20%</b>	92.54%	92.38%
<b>Unrestricted Current Ratio</b>	To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	Greater than or equal to 1.5 : 1	<b>2.67 : 1</b>	4.37 : 1	7.12 : 1
<b>Debt Service Cover Ratio</b>	To assess the availability of operating cash to service debt including interest, principal and lease payments.	Greater than or equal to 2.00	<b>0.18</b>	3.56	5.25
<b>Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>	To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	Less than 5.00%	<b>3.99%</b>	3.94%	4.55%
<b>Cash Expense Cover Ratio</b>	Indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflows.	Greater than or equal to 3 months	<b>4.7</b>	14.1	4.9
<b>Building, Infrastructure &amp; Other Structures Renewal Ratio</b>	Represents the replacement or refurbishment of existing assets to equivalent capacity or performance (as opposed to new assets or increasing performance or capacity of existing assets). Ratio compares the proportion spent on infrastructure asset renewals and assets deterioration.	Greater than or equal to 100%	<b>115.87%</b>	125.53%	89.61%
<b>Infrastructure Backlog Ratio</b>	Indicates the proportion of backlog against the total value of Council's infrastructure assets. Measures the extent to which asset renewal is required to maintain or improve service delivery in a sustainable way.	Less than 2%	<b>1.0%</b>	1.34%	1.36%
<b>Asset Maintenance Ratio</b>	Reflects the actual asset maintenance expenditure relative to the required asset maintenance.	Greater than 1.00	<b>0.99</b>	1.03	0.95
<b>Capital Expenditure Ratio</b>	Extent Council is expending its asset base through capital expenditure on both new assets and the replacement and renewal of existing assets.	Greater than 1.1	<b>1.49</b>	1.92	0.89

# Woollahra Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"...a great place to live, work and visit where places  
and spaces are safe, clean and well maintained."*



# Woollahra Municipal Council

## General Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	86
– On the Conduct of the Audit (Sect 417 [3])	88

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 13 September 2016. Council has the power to amend and reissue these financial statements.
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## Woollahra Municipal Council

### General Purpose Financial Statements for the year ended 30 June 2016

#### Understanding Council's financial statements

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##### Introduction

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

##### What you will find in the statements

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

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

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

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

##### Who uses the financial statements?

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

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

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



## Woollahra Municipal Council

### General Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

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

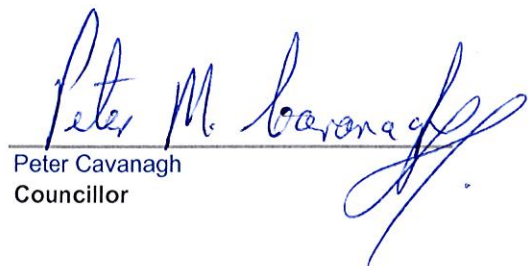
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 12 September 2016.




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Toni Zeltzer  
Mayor



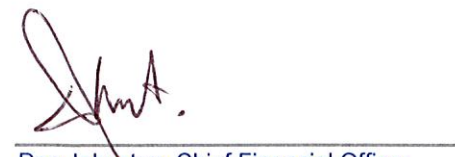
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Peter M. Cavanagh  
Councillor



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Gary James  
General Manager



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Don Johnston, Chief Financial Officer  
Responsible Accounting Officer

# Woollahra Municipal Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
49,998	Rates and annual charges	3a	50,041	48,477
9,855	User charges and fees	3b	10,601	10,072
2,107	Interest and investment revenue	3c	2,502	2,075
22,317	Other revenues	3d	44,718	26,546
3,568	Grants and contributions provided for operating purposes	3e,f	4,227	4,496
3,350	Grants and contributions provided for capital purposes	3e,f	3,275	2,531
<b>Other income:</b>				
	Net share of interests in joint ventures and associates using the equity method	19	–	–
–				
<b>91,195</b>	<b>Total income from continuing operations</b>		<b>115,364</b>	<b>94,197</b>
<b>Expenses from continuing operations</b>				
36,915	Employee benefits and on-costs	4a	38,334	35,723
6,334	Borrowing costs	4b	4,314	4,852
15,113	Materials and contracts	4c	18,493	16,012
10,054	Depreciation and amortisation	4d	11,869	10,282
–	Impairment	4d	–	–
17,645	Other expenses	4e	24,406	17,769
1,471	Net losses from the disposal of assets	5	3,636	1,728
<b>87,532</b>	<b>Total expenses from continuing operations</b>		<b>101,052</b>	<b>86,366</b>
<b>3,663</b>	<b>Operating result from continuing operations</b>		<b>14,312</b>	<b>7,831</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>3,663</b>	<b>Net operating result for the year</b>		<b>14,312</b>	<b>7,831</b>
3,663	Net operating result attributable to Council		14,312	7,831
–	Net operating result attributable to non-controlling interests		–	–
<b>313</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>11,037</b>	<b>5,300</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Woollahra Municipal Council

### Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>14,312</b>	<b>7,831</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	26,951	60,878
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>26,951</b>	<b>60,878</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>26,951</b>	<b>60,878</b>
<b>Total comprehensive income for the year</b>		<b>41,263</b>	<b>68,709</b>
<b>Total comprehensive income attributable to Council</b>		<b>41,263</b>	<b>68,709</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

# Woollahra Municipal Council

## Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	19,493	30,405
Investments	6b	55,679	63,641
Receivables	7	8,138	42,427
Inventories	8	252	312
Other	8	191	186
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>83,753</b>	<b>136,971</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	83	79
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	666,273	633,772
Investments accounted for using the equity method	19	–	–
Investment property	14	148,820	90,110
Other	8	2,240	209
<b>Total non-current assets</b>		<b>817,416</b>	<b>724,170</b>
<b>TOTAL ASSETS</b>		<b>901,169</b>	<b>861,141</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	36,096	35,580
Borrowings	10	3,175	2,263
Provisions	10	12,137	10,832
<b>Total current liabilities</b>		<b>51,408</b>	<b>48,675</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	70,334	74,358
Provisions	10	224	168
<b>Total non-current liabilities</b>		<b>70,558</b>	<b>74,526</b>
<b>TOTAL LIABILITIES</b>		<b>121,966</b>	<b>123,201</b>
<b>Net assets</b>		<b>779,203</b>	<b>737,940</b>
<b>EQUITY</b>			
Retained earnings	20	521,181	506,869
Revaluation reserves	20	258,022	231,071
Council equity interest		779,203	737,940
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>779,203</b>	<b>737,940</b>

## Woollahra Municipal Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		506,869	231,071	<b>737,940</b>	–	<b>737,940</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>506,869</b>	<b>231,071</b>	<b>737,940</b>	–	<b>737,940</b>
<b>c. Net operating result for the year</b>		<b>14,312</b>	–	<b>14,312</b>	–	<b>14,312</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	26,951	<b>26,951</b>	–	<b>26,951</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>26,951</b>	<b>26,951</b>	–	<b>26,951</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>14,312</b>	<b>26,951</b>	<b>41,263</b>	–	<b>41,263</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>521,181</b>	<b>258,022</b>	<b>779,203</b>	–	<b>779,203</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		499,038	170,193	<b>669,231</b>	–	<b>669,231</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>499,038</b>	<b>170,193</b>	<b>669,231</b>	–	<b>669,231</b>
<b>c. Net operating result for the year</b>		<b>7,831</b>	–	<b>7,831</b>	–	<b>7,831</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	60,878	<b>60,878</b>	–	<b>60,878</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>60,878</b>	<b>60,878</b>	–	<b>60,878</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>7,831</b>	<b>60,878</b>	<b>68,709</b>	–	<b>68,709</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>506,869</b>	<b>231,071</b>	<b>737,940</b>	–	<b>737,940</b>

# Woollahra Municipal Council

## Statement of Cash Flows for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
49,974	Rates and annual charges		49,961	48,707
6,983	User charges and fees		10,204	10,723
2,102	Investment and interest revenue received		2,472	1,876
7,437	Grants and contributions		7,777	7,070
–	Bonds, deposits and retention amounts received		5,286	5,301
27,407	Other		36,051	32,418
<b>Payments:</b>				
(36,164)	Employee benefits and on-costs		(37,317)	(35,183)
(16,635)	Materials and contracts		(13,511)	(15,057)
(6,341)	Borrowing costs		(4,291)	(4,840)
–	Bonds, deposits and retention amounts refunded		(2,835)	(3,340)
(19,410)	Other		(34,766)	(19,110)
<u>15,353</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>19,030</u>	<u>28,565</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		72,002	126,502
1,064	Sale of infrastructure, property, plant and equipment		34,746	32,486
<b>Payments:</b>				
–	Purchase of investment securities		(64,000)	(166,000)
(35,500)	Purchase of investment property		(39,515)	(760)
(15,707)	Purchase of infrastructure, property, plant and equipment		(30,063)	(12,117)
<u>(50,143)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(26,830)</u>	<u>(19,889)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
18,500	Proceeds from borrowings and advances		58,250	13,624
<b>Payments:</b>				
(2,445)	Repayment of borrowings and advances		(61,362)	(1,373)
<u>16,055</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(3,112)</u>	<u>12,251</u>
<u>(18,735)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(10,912)</u>	<u>20,927</u>
57,915	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	30,405	9,478
<u>39,180</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>19,493</u>	<u>30,405</u>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	55,679	63,641
	<b>Total cash, cash equivalents and investments</b>		<u>75,172</u>	<u>94,046</u>

**Please refer to Note 11 for information on the following:**

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

# Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	26
2(b)	Council functions/activities – component descriptions	27
3	Income from continuing operations	29
4	Expenses from continuing operations	34
5	Gains or losses from the disposal of assets	37
6(a)	Cash and cash equivalent assets	38
6(b)	Investments	38
6(c)	Restricted cash, cash equivalents and investments – details	40
7	Receivables	42
8	Inventories and other assets	43
9(a)	Infrastructure, property, plant and equipment	44
9(b)	Externally restricted infrastructure, property, plant and equipment	45
9(c)	Infrastructure, property, plant and equipment – current year impairments	45 n/a
10(a)	Payables, borrowings and provisions	46
10(b)	Description of (and movements in) provisions	47
11	Statement of cash flows – additional information	48
12	Commitments for expenditure	49
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	51
	13a (ii) Local government industry graphs (consolidated)	52
14	Investment properties	54
15	Financial risk management	55
16	Material budget variations	59
17	Statement of developer contributions	64
18	Contingencies and other liabilities/assets not recognised	66
19	Interests in other entities	69
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	70
21	Financial result and financial position by fund	70 n/a
22	'Held for sale' non-current assets and disposal groups	71 n/a
23	Events occurring after the reporting date	71
24	Discontinued operations	72 n/a
25	Intangible assets	72 n/a
26	Reinstatement, rehabilitation and restoration liabilities	72 n/a
27	Fair value measurement	73

#### Additional council disclosures

28	Council information and contact details	85
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n/a – not applicable

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

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

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

##### (a) Basis of preparation

###### (i) Background

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & 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

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

###### (iv) Early adoption of Accounting Standards

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

Refer further to paragraph (z) 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,
- (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.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

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.

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).

## Woollahra Municipal Council

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

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

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

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

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

##### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- *General Purpose Operations*
- *Premature Insurance Pool*

##### (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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

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

##### (iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

##### (iv) Associates

Council has no interest in any Associates.

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Unconsolidated Structured Entities

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,

Detailed information relating to Council's interest in Unconsolidated Structured Entities can be found at Note 19 (d).

##### (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.

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:

## Woollahra Municipal Council

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

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

- **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.

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.

##### **(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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

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 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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

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.

The techniques applied to estimate fair value for 2016, consistent with 2015, are:

FRNs	Independent Market Valuation
MBSs	Bid Price

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

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

##### (h) Receivables

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

Receivables (excluding Rates & 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.

## Woollahra Municipal Council

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

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

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

See paragraph (p).

#### (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(o),
- **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 Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)

#### - 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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

- 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	100% Capitalised

##### Plant and Equipment

Office Furniture	> \$3,000
Office Equipment	> \$3,000
Other Plant and Equipment	> \$3,000

##### Buildings and Land Improvements

Building	
- construction/extensions	100% Capitalised
- renovations	> \$3,000

Other Structures	> \$3,000
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##### Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

##### Transport Assets

Road construction and reconstruction	100% Capitalised
Reseal/Re-sheet and major repairs:	> \$10,000

Bridge construction and reconstruction	100% Capitalised
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##### Other Infrastructure Assets

Other Open Space/Recreational Assets	> \$10,000
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#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

##### Plant and Equipment

- Office Equipment	3 to 10 years
- Office furniture	10 to 20 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years

##### Buildings

- Buildings	25 to 100 years
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##### Stormwater Drainage

- Drains	80 to 150 years
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##### Transportation Assets

- Road Pavements	33 to 100 years
- Kerb, Gutter and Paths	33 to 100 years
- Footpaths	33 to 100 years
- Bridges	100 years

##### Other Infrastructure Assets

- Other Open Space/Recreational Assets	5 to 100 years
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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.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

##### Disposal and De-recognition

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

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

##### (k) Land

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

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

##### (l) Land under roads

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

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

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) Investment property

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

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

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

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

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

##### (p) 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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

were already purchased and accounted for as at 30 June.

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

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

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

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

The results of discontinued operations are presented separately on the face of the income statement.

#### **(q) 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.

#### **(r) 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.

#### **(s) 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.

#### **(t) Borrowing costs**

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

##### (u) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

##### (v) 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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

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

##### Defined Benefit Plans

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

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

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

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

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

The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA of Mercer Consulting (Australia) Pty Ltd on 20/02/16 and covers the period ended 30/06/15.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016 was \$ 828,928.

The amount of additional contributions included in the total employer contribution advised above is \$321,367.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$645,452 as at 30 June 2016. Additional contributions are estimated to remain in place until 30 June 2020.

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

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

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

##### Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### (iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/16.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

##### **(w) Self insurance**

Council does not self insure.

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.

##### **(x) 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.

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.

##### **Exceptions**

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

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

##### **(z) 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 2016.

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

##### **(y) 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).

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.

##### **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.

##### **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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

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

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.

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 ED 260 Income of Not-for-Profit Entities**

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

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

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

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

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

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

##### **AASB16 – Leases**

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

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

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

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

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

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

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

## Woollahra Municipal Council

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

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

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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).

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

None

#### **(aa) Rounding of amounts**

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

#### **(ab) 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.

#### **(ac) Disclaimer**

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	3	5	17	2,801	3,634	2,791	(2,798)	(3,629)	(2,774)	–	–	–	–
A connected and harmonious community	18	18	28	635	645	595	(617)	(627)	(567)	17	15	4,295	3,855
A supported community	1,064	1,056	1,060	2,345	2,286	2,184	(1,281)	(1,230)	(1,124)	239	234	2,367	2,225
A creative and vibrant community	602	519	530	5,436	4,995	4,300	(4,834)	(4,476)	(3,770)	149	157	4,725	4,720
Well planned neighbourhoods	2,386	2,570	2,604	6,010	5,697	5,777	(3,624)	(3,127)	(3,173)	–	–	743	744
Liveable places	6,149	6,110	5,713	22,669	24,482	22,339	(16,520)	(18,372)	(16,626)	1,363	1,020	525,020	495,946
Getting around	8,514	7,314	16,000	3,499	11,455	4,617	5,015	(4,141)	11,383	181	204	45,049	46,569
Protecting our environment	217	323	311	2,007	1,935	1,760	(1,790)	(1,612)	(1,449)	42	47	41,101	40,919
Sustainable use of resources	15,540	15,650	15,049	10,712	10,896	11,233	4,828	4,754	3,816	98	218	3,737	3,848
Community focused economic developm't	8,951	29,986	5,599	9,696	9,272	8,396	(745)	20,714	(2,797)	160	–	147,720	84,483
Working together	4	3	60	693	779	717	(689)	(776)	(657)	–	–	45	31
Well managed Council	11,520	15,045	11,664	21,029	24,976	21,657	(9,509)	(9,931)	(9,993)	206	176	49,046	81,642
<b>Total functions and activities</b>	<b>54,968</b>	<b>78,599</b>	<b>58,635</b>	<b>87,532</b>	<b>101,052</b>	<b>86,366</b>	<b>(32,564)</b>	<b>(22,453)</b>	<b>(27,731)</b>	<b>2,455</b>	<b>2,071</b>	<b>823,848</b>	<b>764,982</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	36,227	36,765	35,562	–	–	–	36,227	36,765	35,562	1,701	1,707	77,321	96,159
<b>Operating result from continuing operations</b>	<b>91,195</b>	<b>115,364</b>	<b>94,197</b>	<b>87,532</b>	<b>101,052</b>	<b>86,366</b>	<b>3,663</b>	<b>14,312</b>	<b>7,831</b>	<b>4,156</b>	<b>3,778</b>	<b>901,169</b>	<b>861,141</b>

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



## Woollahra Municipal Council

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

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

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

##### **Theme: Community well-being**

###### Goal 1: A connected and harmonious community

Woollahra will be a community where people care for each other, have a sense of belonging and can contribute meaningfully to their local community and neighbourhood through participation in community life.

###### Goal 2: A supported community

Woollahra will be a place where people have access to a range of effective and diverse social services and programs that meet the changing needs of our community.

###### Goal 3: A creative and vibrant community

Woollahra will be a place where people of all ages and backgrounds have access to lifelong learning opportunities, cultural and community activities.

##### **Theme: Quality places and spaces**

###### Goal 4: Well planned neighbourhoods

Woollahra will have well planned, high quality and sustainable building development that respects and enhances our environment and heritage. It will complement and retain the local character of our suburbs, villages and neighbourhoods and provide access to a range of housing options.

###### Goal 5: Liveable places

Woollahra will be a community with accessible, integrated and well maintained public spaces and open spaces. We will have clean and well maintained infrastructure and community facilities. It will be a safe and attractive place with high quality public and private facilities and amenities.

###### Goal 6: Getting Around

Woollahra will be a place where it is easy to get around, easy to access our foreshore, our recreation facilities, our green open space and our public and private institutions. We will also have easy access to the city and a wide range of services and facilities, and be able to access public transport, walking cycling routes within our area.

##### **Theme: A healthy environment**

###### Goal 7: Protecting our environment

Woollahra will be a place where the natural environment will be protected and conserved from adverse impacts, to preserve our vegetation and wildlife habits.

###### Goal 8: Sustainable use of resources

Woollahra will reduce energy and water use, reduce emissions and develop adaptation actions that will reduce the impacts of climate change. We will minimise waste generation and encourage resource recycling.

##### **Theme: Local Prosperity**

###### Goal 9: Community focused economic development

Woollahra will maintain the diversity of our local economic base and encourage new businesses into the area that will enhance and positively impact on community life.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### **Theme: Community leadership and participation**

###### Goal 10: Working together

Woollahra will be a place where residents are well informed and able to contribute to their community. Council will listen and respond to requests and concerns through open communication and engagement.

###### Goal 11: Well managed Council

Woollahra Council will be open and accountable to all stakeholders, encourage participation in decision making and make decisions that are in the public interest. Through effective long term planning, we will develop and implement strategies and ensure ongoing resources to fulfil long term community goals.

## Woollahra Municipal Council

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

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		27,890	27,223
Business		4,724	4,656
<b>Total ordinary rates</b>		<b>32,614</b>	<b>31,879</b>
<b>Special rates</b>			
Environmental and infrastructure levy		3,806	3,710
<b>Total special rates</b>		<b>3,806</b>	<b>3,710</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		13,080	12,352
Stormwater management services		485	484
Section 611 charges		56	52
<b>Total annual charges</b>		<b>13,621</b>	<b>12,888</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>		<b><u>50,041</u></b>	<b><u>48,477</u></b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		1,974	2,009
<b>Total user charges</b>		<b>1,974</b>	<b>2,009</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Advertising fees		369	381
Certificate fees		675	765
Compliance levy		327	337
Development application fees		701	694
Hoarding fees		179	164
Inspection fees		93	87
Principal certifying authority fees		27	64
Registration fees and permits		336	260
Section 96 amendment application fees		204	191
Subdivision application fees		7	2
<b>Total fees and charges – statutory/regulatory</b>		<b>2,918</b>	<b>2,945</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Casual park hire		107	78
Construction zone charges		641	391
Credit card usage charge		134	131
File retrieval charges		70	78
Filming fees		129	113
Fire safety statement lodgement fee		99	92
Footpath crossing administration fees		77	74
Parking meters		2,014	1,923
Parking permits – residential		348	343
Pre DA lodgement advice service fees		36	36
Preschool fees		806	809
Restoration charges		502	560
Rezoning requests		45	49
Tree preservation order applications		47	57
Tree pruning income		120	91
Rock Anchors		304	95
Other		230	198
<b>Total fees and charges – other</b>		<b>5,709</b>	<b>5,118</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>10,601</b>	<b>10,072</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		140	139
– Interest earned on investments (interest and coupon payment income)		2,303	1,937
– Interest Income (other)		19	19
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		40	(20)
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<u>2,502</u>	<u>2,075</u>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		140	139
General Council cash and investments		1,226	198
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94 and Section 94A		95	113
Other externally restricted assets		57	96
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		984	1,529
<b>Total interest and investment revenue recognised</b>		<u>2,502</u>	<u>2,075</u>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	19,195	–
Rental income – investment properties	14	8,555	6,139
Rental income – other council properties		4,590	4,345
Ex gratia rates		100	110
Fines – parking		6,243	6,069
Fines – other		397	346
Legal proceedings settlements		2,994	7,838
Private use contributions		388	381
Recovered costs and reimbursements		1,510	896
Recycling income (non-domestic)		42	58
Risk management bonuses		138	131
Carbon Tax refund		359	–
Other		207	233
<b>TOTAL OTHER REVENUE</b>		<u>44,718</u>	<u>26,546</u>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	1,189	1,192	–	–
Financial assistance – local roads component	421	425	–	–
Pensioners' rates subsidies – general component	91	90	–	–
<b>Total general purpose</b>	<b>1,701</b>	<b>1,707</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	49	47	–	–
Community care	42	38	–	–
Drainage	–	–	85	21
Environmental works	–	–	56	186
Library	–	–	100	–
Library – special grant	40	40	–	–
LIRS subsidy	216	111	–	–
Open space	–	–	125	175
Preschool	197	183	–	–
State library subsidy	108	107	–	–
Street lighting	357	350	–	–
Sustainability	84	94	–	–
Transport (roads to recovery)	572	200	–	–
Transport (other roads and bridges funding)	149	316	257	161
Other	18	41	–	1
<b>Total specific purpose</b>	<b>1,832</b>	<b>1,527</b>	<b>623</b>	<b>544</b>
<b>Total grants</b>	<b>3,533</b>	<b>3,234</b>	<b>623</b>	<b>544</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	2,182	1,823	65	15
– State funding	1,351	1,411	558	529
	<b>3,533</b>	<b>3,234</b>	<b>623</b>	<b>544</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	166	4
S 94A – fixed development consent levies	–	–	2,468	1,954
<b>Total developer contributions</b> 17	<b>–</b>	<b>–</b>	<b>2,634</b>	<b>1,958</b>
<b>Other contributions:</b>				
Contribution to works	52	50	18	29
Paddington library	238	245	–	–
SES depot – Waverley Council contribution	–	862	–	–
– NSW State emergency service	–	100	–	–
Kiaora Place – one off income support	400	–	–	–
Other	4	5	–	–
<b>Total other contributions</b>	<b>694</b>	<b>1,262</b>	<b>18</b>	<b>29</b>
<b>Total contributions</b>	<b>694</b>	<b>1,262</b>	<b>2,652</b>	<b>1,987</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>4,227</b>	<b>4,496</b>	<b>3,275</b>	<b>2,531</b>

\$ '000	Actual 2016	Actual 2015
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#### (g) Restrictions relating to grants and contributions

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

Unexpended at the close of the previous reporting period	6,010	5,234
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	2,746	2,344
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(3,815)	(1,568)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(1,069)</b>	<b>776</b>
<b>Unexpended and held as restricted assets</b>	<b>4,941</b>	<b>6,010</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	231	546
– Developer contributions	4,710	5,464
	<b>4,941</b>	<b>6,010</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		27,059	26,082
Travel expenses		12	9
Employee leave entitlements (ELE)		5,982	5,199
Superannuation		3,359	3,241
Workers' compensation insurance		1,641	1,495
Fringe benefit tax (FBT)		468	235
Training costs (other than salaries and wages)		285	263
Other		9	66
<b>Total employee costs</b>		<b>38,815</b>	<b>36,590</b>
Less: capitalised costs		(481)	(867)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>38,334</b>	<b>35,723</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>372</b>	<b>367</b>
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		<b>390</b>	<b>392</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		4,314	4,852
<b>Total interest bearing liability costs expensed</b>		<b>4,314</b>	<b>4,852</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>4,314</b>	<b>4,852</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		4,673	4,976
Contractor and consultancy costs			
– General contractor and consultancy costs		5,154	3,734
– Maintenance and security contracts		3,410	2,212
– Recycling		2,002	1,968
Auditors remuneration <sup>(1)</sup>		56	56
Infringement notice contract costs (SEINS)		978	950
Legal expenses:			
– Legal expenses: planning and development		653	717
– Legal expenses: other		1,507	1,333
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		60	66
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>18,493</b>	<b>16,012</b>



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		56	56
<b>Remuneration for audit and other assurance services</b>		<b>56</b>	<b>56</b>
<b>Total Auditor remuneration</b>		<b>56</b>	<b>56</b>
<b>2. Operating lease payments are attributable to:</b>			
Photocopiers		60	66
		<b>60</b>	<b>66</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	1,208	1,150
Office equipment		–	–	235	196
Furniture and fittings		–	–	33	36
Infrastructure:					
– Buildings – non-specialised		–	–	1,458	1,350
– Buildings – specialised		–	–	571	564
– Roads		–	–	4,512	3,447
– Bridges		–	–	26	23
– Footpaths		–	–	1,443	1,212
– Stormwater drainage		–	–	616	596
– Swimming pools		–	–	177	104
– Other open space/recreational assets		–	–	1,214	1,271
Other assets					
– Library books		–	–	376	333
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>11,869</b>	<b>10,282</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		393	364
Bad and doubtful debts		32	51
Bank charges		368	333
Contributions/levies to other levels of government			
– Department of Planning levy		285	284
– NSW Fire Brigade levy		2,332	2,355
– State Emergency Services levy		96	82
Contribution to City of Sydney – Paddington library rejuvenation		123	80
Contributions to Double Bay partnership		96	160
Contribution to Woollahra public art trust		100	100
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		239	264
Councillors' expenses (incl. mayor) – other (excluding fees above)		28	20
Donations, contributions and assistance to other organisations (Section 356)			
– Donations, contributions and assistance Holdsworth		806	787
– Donations, contributions and assistance – Waverley/Woollahra SES		–	1,830
– Donations, contributions and assistance (other)		221	289
Electricity and heating		367	445
File archival and retrieval costs		191	187
Insurance deductibles and claims payments		509	378
Insurance premiums		1,505	1,466
Office rental		24	24
Postage		190	168
Recoverable expenses		210	253
Registration		166	156
Street lighting		1,328	1,342
Telephone and communications		203	185
Valuation fees		83	80
Waste disposal costs		5,344	5,048
Water and council rates		230	280
Other – Costs awarded against Council		7,463	–
Other – Land Tax		671	–
Other – Early Settlement Agreement – O'Dea Avenue Depot		100	–
Other		663	719
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>24,406</u></b>	<b><u>17,769</u></b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		10	189
<b>Net gain/(loss) on disposal</b>		<b>10</b>	<b>189</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,081	754
Less: carrying amount of plant and equipment assets sold/written off		(1,110)	(1,115)
<b>Net gain/(loss) on disposal</b>		<b>(29)</b>	<b>(361)</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(3,617)	(1,599)
<b>Net gain/(loss) on disposal</b>		<b>(3,617)</b>	<b>(1,599)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		72,002	126,502
Less: carrying amount of financial assets sold/redeemed/matured		(72,002)	(126,502)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as ‘held for sale’</b>			
Proceeds from disposal – non-current assets ‘held for sale’		–	65,143
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(65,100)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>43</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(3,636)</b>	<b>(1,728)</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		1,257	–	453	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		11,110	–	19,952	–
– Short-term deposits		7,126	–	10,000	–
<b>Total cash and cash equivalents</b>		<b>19,493</b>	<b>–</b>	<b>30,405</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		41,000	–	62,000	–
– NCD's, FRN's (with maturities > 3 months)		14,029	–	1,000	–
– Mortgage backed securities		650	–	641	–
<b>Total investments</b>		<b>55,679</b>	<b>–</b>	<b>63,641</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>75,172</b>	<b>–</b>	<b>94,046</b>	<b>–</b>

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

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

#### Cash and cash equivalents

<b>a. 'At fair value through the profit and loss'</b>		<b>19,493</b>	<b>–</b>	<b>30,405</b>	<b>–</b>
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#### Investments

<b>a. 'At fair value through the profit and loss'</b>					
– 'Designated at fair value on initial recognition'	6(b-i)	14,679	–	1,641	–
<b>b. 'Held to maturity'</b>	6(b-ii)	41,000	–	62,000	–
<b>Investments</b>		<b>55,679</b>	<b>–</b>	<b>63,641</b>	<b>–</b>

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at the beginning of the year	1,641	–	1,663	–
Revaluations (through the Income Statement)	40	–	(20)	–
Additions	14,000	–	–	–
Disposals (sales and redemptions)	(1,002)	–	(2)	–
<b>Balance at end of year</b>	<b>14,679</b>	<b>–</b>	<b>1,641</b>	<b>–</b>
<b>Comprising:</b>				
– NCD's, FRN's (with maturities > 3 months)	14,029	–	1,000	–
– Mortgage backed securities	650	–	641	–
<b>Total</b>	<b>14,679</b>	<b>–</b>	<b>1,641</b>	<b>–</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at the beginning of the year	62,000	–	22,500	–
Additions	50,000	–	166,000	–
Disposals (sales and redemptions)	(71,000)	–	(126,500)	–
<b>Balance at end of year</b>	<b>41,000</b>	<b>–</b>	<b>62,000</b>	<b>–</b>
<b>Comprising:</b>				
– Long term deposits	41,000	–	62,000	–
<b>Total</b>	<b>41,000</b>	<b>–</b>	<b>62,000</b>	<b>–</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	75,172	–	94,046	–
<b>attributable to:</b>				
External restrictions (refer below)	8,421	–	10,356	–
Internal restrictions (refer below)	64,634	–	81,412	–
Unrestricted	2,117	–	2,279	–
	<b>75,172</b>	<b>–</b>	<b>94,046</b>	<b>–</b>

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

##### External restrictions – included in liabilities

Nil

##### External restrictions – other

Developer contributions – general	(A)	5,464	2,729	(3,483)	4,710
Specific purpose unexpended grants	(B)	546	–	(315)	231
Domestic waste management	(C)	2,484	1,178	(1,515)	2,147
Environmental levy		6	–	(6)	–
Environmental and infrastructure levy		1,856	3,904	(4,427)	1,333
<b>External restrictions – other</b>		<b>10,356</b>	<b>7,811</b>	<b>(9,746)</b>	<b>8,421</b>
<b>Total external restrictions</b>		<b>10,356</b>	<b>7,811</b>	<b>(9,746)</b>	<b>8,421</b>

**A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

**B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

**C** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000		Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>					
Plant and vehicle replacement	(D)	185	173	(88)	270
Employee leave entitlement	(D)	2,085	500	–	2,585
Carry over works	(D)	2,760	1,846	(1,643)	2,963
Deposits, retentions and bonds	(D)	11,825	2,452	–	14,277
9a Cooper Park road reserve	(D)	9,055	–	(66)	8,989
Election reserve	(D)	175	88	–	263
Fit for the Future reserve	(D)	100	–	(100)	–
Insurance reserve	(D)	694	264	(31)	927
Information technology reserve	(D)	267	–	(1)	266
Kiaora place reserve	(D)	481	394	(292)	583
Litigation proceeds	(D)	6,941	–	–	6,941
Open space projects reserve	(D)	700	–	–	700
Property development projects reserve	(D)	250	–	(75)	175
Property reserve	(D)	31,957	34,120	(42,667)	23,410
Preschool reserve	(D)	224	62	(83)	203
Unexpended general purpose loans	(D)	13,449	58,250	(71,695)	4
Oxford Street Placemaking reseve	(D)	–	250	–	250
Judgement Costs	(D)	–	1,800	–	1,800
Other	(D)	264	48	(284)	28
<b>Total internal restrictions</b>		<b>81,412</b>	<b>100,247</b>	<b>(117,025)</b>	<b>64,634</b>
<b>TOTAL RESTRICTIONS</b>		<b>91,768</b>	<b>108,058</b>	<b>(126,771)</b>	<b>73,055</b>

D Reserves created by resolution of Council for future expenditure for the purpose shown.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,715	71	1,639	67
Interest and extra charges		286	12	285	12
User charges and fees		563	–	643	–
Capital debtors (being sale of assets)					
– Sale of land		839	–	975	–
– Other asset sales		81	–	33,600	–
Accrued revenues					
– Interest on investments		555	–	566	–
– Other income accruals		1,925	–	583	–
Amounts due from other councils		167	–	1,031	–
Government grants and subsidies		357	–	750	–
Leases and licences		687	–	707	–
Net GST receivable		764	–	1,367	–
Recovered costs		23	–	52	–
Restorations and other roadworks		140	–	179	–
Other debtors		108	–	171	–
<b>Total</b>		<b>8,210</b>	<b>83</b>	<b>42,548</b>	<b>79</b>
<b>Less: provision for impairment</b>					
User charges and fees		(72)	–	(121)	–
<b>Total provision for impairment – receivables</b>		<b>(72)</b>	<b>–</b>	<b>(121)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,138</b>	<b>83</b>	<b>42,427</b>	<b>79</b>
<b>Externally restricted receivables</b>					
Domestic waste management		523	–	456	–
Stormwater management		13	–	12	–
– Environmental levy and infrastructure levy		151	–	130	–
<b>Total external restrictions</b>		<b>687</b>	<b>–</b>	<b>598</b>	<b>–</b>
<b>Internally restricted receivables</b>					
– Preschool reserve		23	–	24	–
– Property reserve (sales of land)		491	–	34,211	–
<b>Internally restricted receivables</b>		<b>514</b>	<b>–</b>	<b>34,235</b>	<b>–</b>
<b>Unrestricted receivables</b>		<b>6,937</b>	<b>83</b>	<b>7,594</b>	<b>79</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,138</b>	<b>83</b>	<b>42,427</b>	<b>79</b>

#### Notes on debtors above:

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



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		252	–	312	–
<b>Total inventories at cost</b>		<b>252</b>	<b>–</b>	<b>312</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>252</b>	<b>–</b>	<b>312</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		191	–	186	–
Kiaora Place tenancy incentives		–	2,240	–	209
<b>TOTAL OTHER ASSETS</b>		<b>191</b>	<b>2,240</b>	<b>186</b>	<b>209</b>
<b>Externally restricted assets</b>					
There are no restrictions applicable to the above assets.					
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>443</b>	<b>2,240</b>	<b>498</b>	<b>209</b>

#### **(a) Inventory write downs**

\$5,081 was 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.

## Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period							as at 30/6/2016			
	At	At	Accumulated	Carrying	Additions	Additions	Carrying	Depreciation	WIP	Tfrs	Revaluation	At	At	Accumulated	Carrying
	cost	fair value	depreciation	value	renewals	new assets	value of disposals	expense	transfers	from/(to) investment properties	increments to equity (ARR)	cost	fair value	depreciation	value
Capital work in progress	2,598	–	–	2,598	1,770	–	(61)	–	(1,997)	(242)	–	2,068	–	–	2,068
Plant and equipment	–	11,910	4,078	7,832	3,062	–	(1,110)	(1,208)	–	–	–	–	12,597	4,021	8,576
Office equipment	–	4,211	2,755	1,456	747	594	–	(235)	–	–	–	–	5,553	2,991	2,562
Furniture and fittings	–	948	805	143	–	110	–	(33)	–	–	–	–	1,058	838	220
<b>Land:</b>															
– Operational land	–	63,341	–	63,341	–	–	–	–	–	–	300	–	63,641	–	63,641
– Community land	–	94,771	–	94,771	–	–	–	–	–	–	26,651	–	121,422	–	121,422
<b>Infrastructure:</b>															
– Buildings – non-specialised	–	58,293	31,992	26,301	838	–	–	(1,458)	46	–	–	–	59,177	33,450	25,727
– Buildings – specialised	–	23,812	16,341	7,471	1,063	5,439	(128)	(571)	471	–	–	–	29,438	15,693	13,745
– Roads	–	463,947	140,420	323,527	3,172	11	(2,155)	(4,512)	1,094	–	–	–	462,844	141,707	321,137
– Bridges	–	2,570	428	2,142	–	–	–	(26)	–	–	–	–	2,570	454	2,116
– Footpaths	–	72,321	35,847	36,474	1,899	–	(615)	(1,443)	169	–	–	–	72,710	36,226	36,484
– Stormwater drainage	–	87,256	46,526	40,730	1,240	66	(597)	(616)	13	–	–	–	86,887	46,051	40,836
– Swimming pools	–	4,053	1,082	2,971	–	–	–	(177)	–	–	–	–	4,054	1,260	2,794
– Other open space/recreational assets	–	30,581	8,009	22,572	1,398	601	(61)	(1,214)	204	–	–	–	32,617	9,117	23,500
<b>Other assets:</b>															
– Library books	–	5,205	3,762	1,443	378	–	–	(376)	–	–	–	–	5,583	4,138	1,445
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>2,598</b>	<b>923,219</b>	<b>292,045</b>	<b>633,772</b>	<b>15,567</b>	<b>6,821</b>	<b>(4,727)</b>	<b>(11,869)</b>	<b>–</b>	<b>(242)</b>	<b>26,951</b>	<b>2,068</b>	<b>960,151</b>	<b>295,946</b>	<b>666,273</b>

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

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

## Woollahra Municipal Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Domestic waste management</b>								
Plant and equipment	–	4,944	2,419	<b>2,525</b>	–	4,415	2,576	<b>1,839</b>
<b>Total DWM</b>	–	<b>4,944</b>	<b>2,419</b>	<b>2,525</b>	–	<b>4,415</b>	<b>2,576</b>	<b>1,839</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	–	<b>4,944</b>	<b>2,419</b>	<b>2,525</b>	–	<b>4,415</b>	<b>2,576</b>	<b>1,839</b>

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		11,337	–	4,997	–
Goods and services – capital expenditure		3,939	–	11,856	–
Payments received in advance		1,498	–	1,601	–
Accrued expenses:					
– Borrowings		66	–	43	–
– Salaries and wages		487	–	683	–
Security bonds, deposits and retentions		18,452	–	16,001	–
Other		317	–	399	–
<b>Total payables</b>		<b>36,096</b>	<b>–</b>	<b>35,580</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		3,175	70,334	2,263	74,358
<b>Total borrowings</b>		<b>3,175</b>	<b>70,334</b>	<b>2,263</b>	<b>74,358</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		3,296	–	2,964	–
Sick leave		838	–	740	–
Long service leave		7,948	224	7,078	168
Gratuities		55	–	50	–
<b>Total provisions</b>		<b>12,137</b>	<b>224</b>	<b>10,832</b>	<b>168</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>51,408</b>	<b>70,558</b>	<b>48,675</b>	<b>74,526</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Domestic waste management		1,158	–	1,092	–
<b>Liabilities relating to externally restricted assets</b>		<b>1,158</b>	<b>–</b>	<b>1,092</b>	<b>–</b>
<b>Internally restricted assets</b>					
Property reserve – depot acquisition		–	–	10,928	–
Property reserve – Kiaora Place		2,867	–	–	–
Litigation proceeds reserve – costs awarded		6,941	–	–	–
<b>Liabilities relating to internally restricted assets</b>		<b>9,808</b>	<b>–</b>	<b>10,928</b>	<b>–</b>
<b>Total liabilities relating to restricted assets</b>		<b>10,966</b>	<b>–</b>	<b>12,020</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>40,442</b>	<b>70,558</b>	<b>36,655</b>	<b>74,526</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>51,408</b>	<b>70,558</b>	<b>48,675</b>	<b>74,526</b>

<sup>1</sup> Loans are secured over the general rating income of Council

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
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##### (ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,488	7,361
Payables – security bonds, deposits and retentions	13,826	11,400
	<u>22,314</u>	<u>18,761</u>

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

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	2,964	2,355	(2,023)	–	–	3,296
Sick leave	740	108	(10)	–	–	838
Long service leave	7,246	1,677	(751)	–	–	8,172
Gratuities	50	5	–	–	–	55
<b>TOTAL</b>	<b>11,000</b>	<b>4,145</b>	<b>(2,784)</b>	<b>–</b>	<b>–</b>	<b>12,361</b>

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	19,493	30,405
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>19,493</b>	<b>30,405</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>14,312</b>	<b>7,831</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		11,869	10,282
Net losses/(gains) on disposal of assets		3,636	1,728
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(40)	20
– Investment properties		(19,195)	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		679	3,703
Increase/(decrease) in provision for doubtful debts		(49)	43
Decrease/(increase) in inventories		60	(144)
Decrease/(increase) in other assets		(2,036)	(220)
Increase/(decrease) in payables		6,340	2,359
Increase/(decrease) in accrued interest payable		23	12
Increase/(decrease) in other accrued expenses payable		(196)	205
Increase/(decrease) in other liabilities		2,266	2,279
Increase/(decrease) in employee leave entitlements		1,361	467
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>19,030</b>	<b>28,565</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		400	400
Credit cards/purchase cards		15	15
<b>Total financing arrangements</b>		<b>415</b>	<b>415</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		3	7
<b>Total financing arrangements utilised</b>		<b>3</b>	<b>7</b>

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

#### **(ii) Secured loan liabilities**

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		75	131
Plant and equipment		50	575
Infrastructure		1,765	1,035
Streetscapes		91	130
Traffic		264	75
Open space works		686	145
Environmental works		51	43
IT		670	18
Kiaora Place		2,919	–
<b>Total commitments</b>		<b>6,571</b>	<b>2,152</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		6,571	2,152
<b>Total payable</b>		<b>6,571</b>	<b>2,152</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		967	432
Future grants and contributions		318	–
Sect 64 and 94 funds/reserves		489	167
Unexpended grants		114	72
Externally restricted reserves		1,030	1,067
Internally restricted reserves		2,757	206
Unexpended loans		719	65
Sale of plant and equipment		31	143
Recovered Costs		146	–
<b>Total sources of funding</b>		<b>6,571</b>	<b>2,152</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		70	60
Later than one year and not later than 5 years		74	67
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>144</b>	<b>127</b>

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

The assets leased are a plotter, folding machine and photocopiers for terms not exceeding five years. 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.

#### (d) Investment property commitments

Nil



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(4,562)</u>	<b>-4.91%</b>	7.69%	-2.78%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>92,854</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>88,627</u>	<b>92.20%</b>	92.54%	92.38%
Total continuing operating revenue <sup>(1)</sup>	<u>96,129</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>74,645</u>	<b>2.67x</b>	4.37x	7.12x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>27,936</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>11,621</u>	<b>0.18x</b>	3.56x	5.25x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>65,676</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>2,084</u>	<b>3.99%</b>	3.94%	4.55%
Rates, annual and extra charges collectible	<u>52,184</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>60,493</u>	<b>4.71 mths</b>	14.1 mths	4.9 mths
Payments from cash flow of operating and financing activities	<u>12,840</u>			

#### Notes

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

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

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

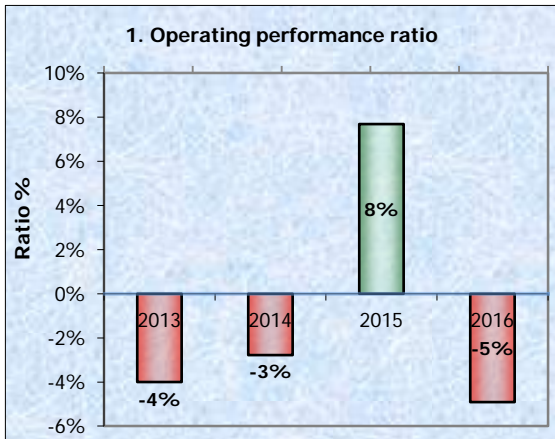
<sup>(3)</sup> Refer to Note 10(a).

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

# Woollahra Municipal Council

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

### 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 2015/16 result**

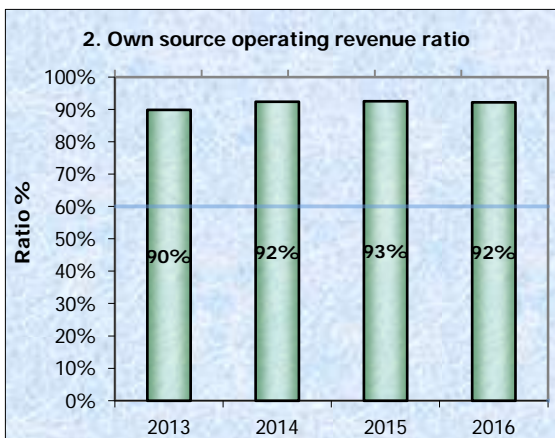
**2015/16 ratio -4.91%**

This ratio for 2015/16 is well below benchmark as a consequence of expensing Council's \$7.463m repayment to Secure Parking following their successful appeal. It was also favourably impacted by \$2.994m in legal proceedings settlements paid to Council. Without these transactions the ratio would have been -0.2%.

Benchmark: Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves 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 and contributions.

**Commentary on 2015/16 result**

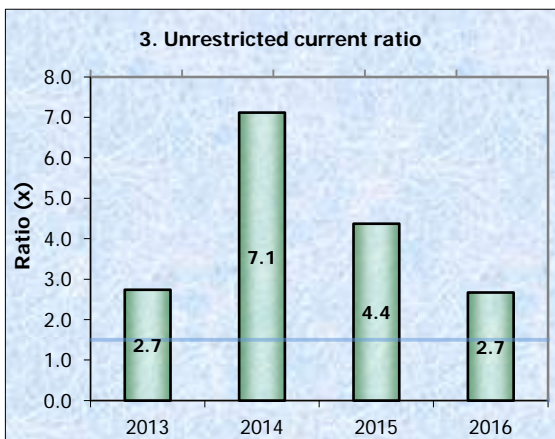
**2015/16 ratio 92.20%**

Council's ratio remains well in excess of the benchmark of 60%.

Benchmark: Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves 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 2015/16 result**

**2015/16 ratio 2.67x**

While the ratio reduced as a consequence of the change in funding strategy for Kiaora Place, with Council using existing Reserves to fund \$18.5m in lieu of borrowings, the ratio remains well in excess of the benchmark.

Benchmark: Minimum  $\geq 1.50$

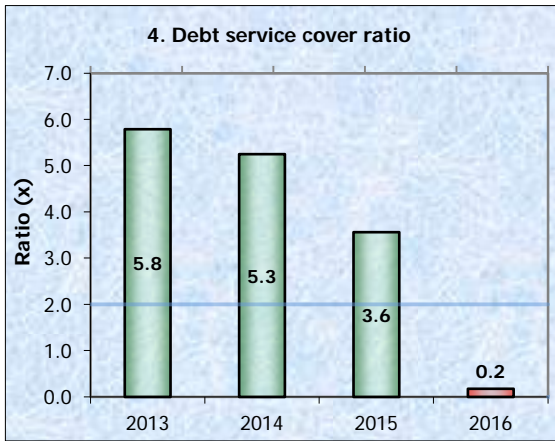
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

# Woollahra Municipal Council

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

### 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 2015/16 result**

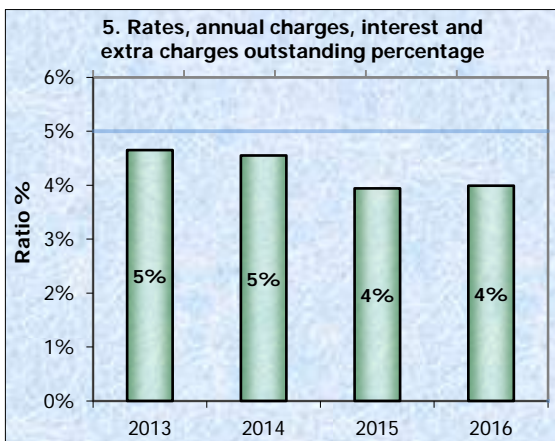
**2015/16 ratio 0.18x**

This ratio for 2015/16 is well below benchmark as a consequence of the repayment of Council's \$58.25m Woolworths loan facility using a lower interest rate bank loan facility. It is also impacted by the two transactions noted in the Operating Performance ratio. Without these transactions, the ratio would have been in the order of 2.16x.

Benchmark: ——— Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and 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 2015/16 result**

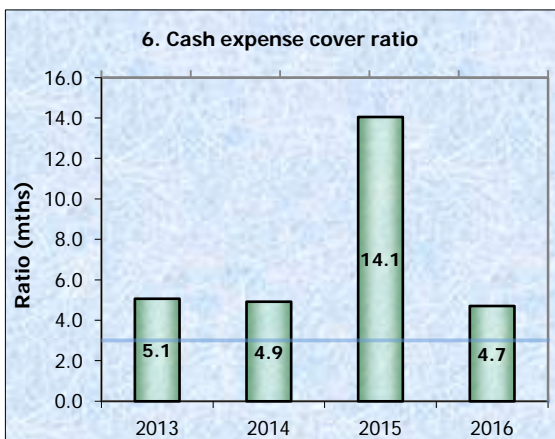
**2015/16 ratio 3.99%**

This ratio increased very slightly from 3.94% to 3.99% during 2015/16 but still remains comfortably within the 5% benchmark.

Benchmark: ——— Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

 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 2015/16 result**

**2015/16 ratio 4.71 mths**

The 2015 spike resulted from additional cash being held as a result of the later than anticipated settlement on Stage 2 of Kiaora Place, returning to a level consistent with prior years and remaining above benchmark for 2016.

Benchmark: ——— Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>148,820</u>	<u>90,110</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		90,110	89,350
– Acquisitions		39,273	760
– Net gain/(loss) from fair value adjustments		19,195	–
– Transfers from/(to) owner occupied (Note 9)		242	–
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>148,820</u></b>	<b><u>90,110</u></b>

#### (b) Valuation basis

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

The 2016 revaluations were based on independent assessments made by Scott Fullarton Valuations Pty Ltd. Scott Fullarton Valuations Pty Ltd.

#### (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	8,467	5,941
Later than 1 year but less than 5 years	33,550	23,838
Later than 5 years	109,608	107,520
<b>Total minimum lease payments receivable</b>	<b><u>151,625</u></b>	<b><u>137,299</u></b>

#### (e) Investment property income and expenditure – summary

<b>Rental income from investment properties:</b>		
– Minimum lease payments	8,555	6,139
– Other income	1,039	213
<b>Direct operating expenses on investment properties:</b>		
– that generated rental income	(7,677)	(6,861)
<b>Net revenue contribution from investment properties</b>	<b><u>1,917</u></b>	<b><u>(509)</u></b>
plus:		
<b>Fair value movement for year</b>	<b><u>19,195</u></b>	<b><u>–</u></b>
<b>Total income attributable to investment properties</b>	<b><u>21,112</u></b>	<b><u>(509)</u></b>

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management

\$ '000

##### Risk management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	19,493	30,405	19,493	30,405
Investments				
– 'Designated at fair value on initial recognition'	14,679	1,641	14,679	1,641
– 'Held to maturity'	41,000	62,000	41,000	62,000
Receivables	8,221	42,506	8,221	42,506
<b>Total financial assets</b>	<b>83,393</b>	<b>136,552</b>	<b>83,393</b>	<b>136,552</b>
<b>Financial liabilities</b>				
Payables	34,598	33,979	34,598	33,979
Loans/advances	73,509	76,621	73,509	76,621
<b>Total financial liabilities</b>	<b>108,107</b>	<b>110,600</b>	<b>108,107</b>	<b>110,600</b>

Fair value is determined as follows:

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

Council's objective is to optimise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital having regard to its Investment Policy.

Council's Finance Section manages the Cash and Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the *Local Government Act 1993* and Minister's Investment Order. This policy is regularly reviewed by Council and 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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 10% movement in market values	1,468	1,468	(1,468)	(1,468)
Possible impact of a 1% movement in interest rates	875	875	(875)	(875)
<b>2015</b>				
Possible impact of a 10% movement in market values	164	164	(164)	(164)
Possible impact of a 1% movement in interest rates	601	601	(601)	(601)

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

The level of outstanding receivables is reported to Council quarterly.

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:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	86%	0%	98%
Overdue	100%	14%	100%	2%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	–	5,618	–	40,263
< 1 year overdue	0 – 30 days overdue	1,176	401	1,079	243
1 – 2 years overdue	30 – 60 days overdue	240	68	263	74
2 – 5 years overdue	60 – 90 days overdue	190	106	237	166
> 5 years overdue	> 90 days overdue	180	314	127	175
		<b>1,786</b>	<b>6,507</b>	<b>1,706</b>	<b>40,921</b>

##### (iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	121	78
+ new provisions recognised during the year	32	55
– amounts already provided for and written off this year	(81)	(12)
<b>Balance at the end of the year</b>	<b>72</b>	<b>121</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	18,452	16,146	–	–	–	–	–	34,598	34,598
Loans and advances	–	6,636	6,634	5,667	5,670	5,667	79,289	109,563	73,509
<b>Total financial liabilities</b>	<b>18,452</b>	<b>22,782</b>	<b>6,634</b>	<b>5,667</b>	<b>5,670</b>	<b>5,667</b>	<b>79,289</b>	<b>144,161</b>	<b>108,107</b>
<b>2015</b>									
Trade/other payables	16,001	17,978	–	–	–	–	–	33,979	33,979
Loans and advances	–	7,442	7,687	7,684	6,725	6,727	127,338	163,603	76,621
<b>Total financial liabilities</b>	<b>16,001</b>	<b>25,420</b>	<b>7,687</b>	<b>7,684</b>	<b>6,725</b>	<b>6,727</b>	<b>127,338</b>	<b>197,582</b>	<b>110,600</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	34,598	0.00%	33,979	0.00%
Loans and advances – fixed interest rate	73,509	5.00%	76,621	6.90%
	<u>108,107</u>		<u>110,600</u>	



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 27 June 2016.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>49,998</b>	<b>50,041</b>	<b>43</b>	<b>0%</b>	<b>F</b>
There are no material variations to report.					
<b>User charges and fees</b>	<b>9,855</b>	<b>10,601</b>	<b>746</b>	<b>8%</b>	<b>F</b>
While not a material variance overall, there are a number of individual variances to report. The following income streams generated less income than originally forecast: Trade Waste Charges \$205k (10%), Policy Change Requests \$35k (43%) and Certificate Fees \$34k (6%). The following incomes streams generated more income than originally forecast: Rock Anchors \$273k (699%), Work Zone Charges \$207k (52%), Parking Meters \$134k (7%), Crane Permits \$111k (74%), Compliance Levy \$87k (36%), Development Application Fees \$73k (12%), Hoarding Applications \$36k (25%), Construction Management Plans \$34k (new fee), Casual Park Hire \$31k (57%) and Tree Pruning \$30k (34%). The net total of these variances is \$742k.					
<b>Interest and investment revenue</b>	<b>2,107</b>	<b>2,502</b>	<b>395</b>	<b>19%</b>	<b>F</b>
As a consequence of a conservative original budget forecast and having funds invested longer due to delays in some capital projects, interest on investments exceeded forecast by \$375k (19%). In addition, no fair value adjustments were forecast in the original budget yet resulted in \$40k in income. Conversely, interest on overdue Rates generated \$20k less than originally forecast. The net total of theses variations is \$395k.					

# Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
<b>REVENUES (continued)</b>					
<b>Other revenues</b>	<b>22,317</b>	<b>44,718</b>	<b>22,401</b>	<b>100%</b>	<b>F</b>
<p>This variance arises mainly from the fair value adjustment of Kiaora Place following its completion and valuation by Scott Fullarton Valuations Pty Ltd. Having spent some \$123.4m in developments costs, Kiaora Place has been valued at \$144m at 30 June 2016 resulting in a fair value adjustment of \$20.6m over the life of the development. (a \$1.1m decrement in 2014 and a \$21.7m increment this year).</p> <p>At the same time, the Grafton Street and Cosmopolitan Centre car park investment properties reduced in value by \$2.5m as a result of a reduction in their net operating results.</p> <p>The net fair value adjustment recognised in 2016 was \$19.2m.</p> <p>Other income streams that generated more income than originally forecast were:</p> <p>Legal proceedings settlements \$1,694k (130%), car parks income \$681k (28%), fitout costs recovered from Kiaora Place tenants \$550k (not forecast), fines and penalties \$563k (9%), carbon tax refunds \$386k (not forecast), Risk Management Bonuses \$108k (360%), recovery of Paid Maternity Leave \$85k (not forecast), other recovered costs \$50k (not forecast) and Miscellaneous Sales \$28k (137%).</p> <p>Mainly as a result of leases commencing later than forecast at Kiaora Place, commercial property lease income was less than originally forecast \$956k (11%)</p> <p>The net total of these variances is \$22,389k.</p>					
<b>Operating grants and contributions</b>	<b>3,568</b>	<b>4,227</b>	<b>659</b>	<b>18%</b>	<b>F</b>
<p>Roads to Recovery grants are budgeted as capital grants but disclosed as operating grants, an increase over the original forecast of \$572k (the actual grant received).</p> <p>The only other material variances were grants exceeding original forecasts; the Traffic Route Lighting Subsidy \$36k (11%) and sustainability grants \$45k (116%).</p> <p>The total of the variances is \$653k.</p>					
<b>Capital grants and contributions</b>	<b>3,350</b>	<b>3,275</b>	<b>(75)</b>	<b>(2%)</b>	<b>U</b>
<p>Roads to Recovery grants are budgeted as capital grants but disclosed as operating grants, an decrease over the original forecast of \$401k (the original forecast for the grant).</p> <p>The original budget also forecast receiving \$1,000k in contributions toward a new synthetic field. During the year Council resolved to fund the project from other sources resulting in a decrease against the original budget.</p> <p>Offsetting these decreases against original forecasts, income from Section 94 and 94A contributions exceeded original forecast by \$968k (65%) and \$166k (not forecast) respectively.</p> <p>Futher, capital grants for Traffic Infrastructure, Open Space and Floodplain Management all exceeded original forecasts by \$102k (283%), \$51k (not forecast) and \$29k (not forecast) respectively.</p> <p>The net total of these variances is (\$84k).</p>					

# Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>36,915</b>	<b>38,334</b>	<b>(1,419)</b>	<b>(4%) U</b>
<p>While not a material variance overall, there are a number of individual variances to report. Direct salaries and wages exceeded original forecasts by just \$125k (0.4%). Other expenses that exceeded original forecasts were fringe benefits tax, including a retrospective adjustment, \$208k (80%), paid maternity leave, partly offset by recovered costs, \$117k (not forecast), workers' compensation \$108k (8%) and overtime \$67k (10%). Leave provisioning exceeded original forecast by \$496k (44%). Staff training costs of \$285k are budgeted as Other Expenses but disclosed in staffing costs resulting in a further variance. The total of these variances is \$1,406k.</p>				
<b>Borrowing costs</b>	<b>6,334</b>	<b>4,314</b>	<b>2,020</b>	<b>32% F</b>
<p>In Septemebr 2015 Council adopted a revised funding strategy for Kiaora Place which included repaying its Woolworths loan facility using a bank loan at a much lower interest rate and not borrowing \$18.5m for Stage 2 of the development, using its Reserves instead. This strategy significantly reduced the annual interest payable by Council.</p>				
<b>Materials and contracts</b>	<b>15,113</b>	<b>18,493</b>	<b>(3,380)</b>	<b>(22%) U</b>
<p>\$536k in expenditure in the capital budget was not ultimately capitalised, instead being expensed to Materials &amp; Contracts. Other instances of expenditure materially exceeding original forecasts were legal costs \$1,026k (98%), including defending the State Government's merger proposal, Kiaora place tenancies and the Secure Parking matter, general consultants \$732k (98%) across Placemaking, Open Space and Kiaora Place and including merger proposal consultancies, recurrent contracts \$710k (30%) mainly involving Kiaora Place and AIF Depot, temporary staffing across Council \$492k (271%), general contracts across Council \$293k (7%), plant parts and repairs \$184k (54%), infringement processing charges \$62k (7%) and lifecycle building maintenance \$56k (17%). There were also instances of expenditure being materially less than original forecasts being materials across Council \$411k (15%), fuel \$159k (23%), cleaning \$67k (18%) and printing &amp; stationery \$56k (24%). The net total of these variances is \$3,398k.</p>				
<b>Depreciation and amortisation</b>	<b>10,054</b>	<b>11,869</b>	<b>(1,815)</b>	<b>(18%) U</b>
<p>This variation is largely attributable to the 30 June 2015 revaluation revaluation of infrastructure assets which resulted in additional depreciation of \$1,384k. A further \$315k is due to a deficient forecast for open space assets depreciation. In this regard, 2016 depreciation was consistent with 2015 depreciation but over the original forecast. The remainder of the variance, \$116k, is spread across the other asset classes and reflects the depreciation of 2015 acquisitions.</p>				

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
<b>EXPENSES (continued)</b>				
<b>Other expenses</b>	<b>17,645</b>	<b>24,406</b>	<b>(6,761)</b>	<b>(38%) U</b>
<p>In 2014 Council was successful in an action taken against Secure Parking and was paid \$6.94m in damages arising from a tender process for the operation of Council's car parks. Secure Parking was successful in having this judgement overturned on appeal and Council was ordered to repay Secure Parking plus interest totalling \$7,463k. Other instances of expenditure materially exceeding original forecasts were tax \$102k (16%), mainly Kiaora Place land tax, self funded losses \$78k (18%), advertising \$65k (16%), revenue collection charges \$47k (15%), postage \$37k (24%), recoverable expenses \$36k (21%) and vehicle registration \$29k (21%).</p> <p>There were also instances of expenditure being materially less than original forecasts being electricity \$249k (40%), mainly due to difficulty in forecasting Kiaora Place expenditure where expenditure was \$140k less than originally forecast, street lighting charges \$170k (11%), fire brigades contribution \$93k (4%), insurance premiums \$79k (5%), council rates \$65k (55%), waste disposal charges \$61k (1%), interest paid on deposits refunded \$59k (29%) and councillors fees \$40k (14%).</p> <p>Additionally, \$285k in staff training costs budgeted as Other Expenses are disclosed as Employee Benefits. The net total of these variances is \$6,756k.</p>				
<b>Net losses from disposal of assets</b>	<b>1,471</b>	<b>3,636</b>	<b>(2,165)</b>	<b>(147%) U</b>
<p>As with Depreciation above, the value of infrastructure written off has increased as a consequence of the 30 June 2015 revaluation together with an increase in the amount of projects completed during the year. These impacts saw the write off exceed original forecasts by \$2,333k.</p> <p>Following the opening of the new Woollahra Library in Double Bay, the fitout of St Brigids Library was written off at a cost of \$128k which was not included in the original budget.</p> <p>Also, in reviewing WIP as at 30 June 2016, \$62k of WIP recognised last FY was written off.</p> <p>The last increase on losses from disposal of assets arises from the sale of unmade roads. The original budget anticipated \$150k from sales with only \$10k coming to fruition seeing a \$140k increase in losses from sales. Offsetting the increases in losses was a \$498k improvement in the loss on sale of plant &amp; equipment. The net total of these variances is \$2,165k.</p>				

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>15,353</b>	<b>19,030</b>	<b>3,677</b>	<b>23.9%</b> <b>F</b>
Council does not budget for the movement in Bonds and Deposits, instead transferring it to or from Reserve. In 2015/16 the net inflow was \$2,451k which contributes to this variance. The budget variances in operating income and expenditure detailed above, where they have actually been received or paid, also contribute to this variance and are not restated.				
<b>Cash flows from investing activities</b>	<b>(50,143)</b>	<b>(26,830)</b>	<b>23,313</b>	<b>(46.5%)</b> <b>F</b>
Council's original budget forecasts the total movement in cash and investments and does not break it down into Cash & Cash Equivalents and Investments which is determined by the term of securities held at reporting date. For 2015/16 there was a net inflow to Investment Securities of \$8,002k.				
The sale of infrastructure, property plant & equipment was significantly higher than forecast as a result of the timing of the receipt of proceeds from the sale of O'Dea Avenue Depot with \$33,600k received this FY.				
The purchase of investment property (Kiaora Place) was \$4,015k higher than the original forecast due to the timing of payment for tenancy works and contract variations.				
Finally, the purchase of infrastructure, property, plant and equipment was \$14,331 more than originally forecast mainly due to the timing of payment for the \$11,000k AIF Depot with the balance due to the timing of payment for other capital projects.				
The net total of these variances is \$23,256k.				
<b>Cash flows from financing activities</b>	<b>16,055</b>	<b>(3,112)</b>	<b>(19,167)</b>	<b>(119.4%)</b> <b>U</b>
As noted in Borrowing Costs above, Council adopted a revised funding strategy for Kiaora Place in September 2015. \$18,500k of this variance relates to not drawing down borrowings envisaged in the original budget with the balance relating to increased principal repayments associated with the new loan facility which replaces the Woolworths loan facility that was still in its interest only phase.				

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 17. Statement of developer contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	2,811	159	–	43	(1,400)	–	1,613	–
Civic improvements	110	5	–	2	–	–	117	–
Recreation	176	–	–	3	(12)	–	167	–
Plan preparation and administration	43	2	–	1	–	–	46	–
<b>S94 contributions – under a plan</b>	<b>3,140</b>	<b>166</b>	<b>–</b>	<b>49</b>	<b>(1,412)</b>	<b>–</b>	<b>1,943</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>2,278</b>	<b>2,468</b>	<b>–</b>	<b>46</b>	<b>(2,071)</b>	<b>–</b>	<b>2,721</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>5,418</b>	<b>2,634</b>	<b>–</b>	<b>95</b>	<b>(3,483)</b>	<b>–</b>	<b>4,664</b>	<b>–</b>
S94 not under plans	46	–	–	–	–	–	46	–
<b>Total contributions</b>	<b>5,464</b>	<b>2,634</b>	<b>–</b>	<b>95</b>	<b>(3,483)</b>	<b>–</b>	<b>4,710</b>	<b>–</b>

#### S94 CONTRIBUTIONS – UNDER A PLAN

##### CONTRIBUTION PLAN - 1997 Contributions Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	407	–	–	6	(35)	–	378	–
<b>Total</b>	<b>407</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>(35)</b>	<b>–</b>	<b>378</b>	<b>–</b>

## Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - 2002 Contributions Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking – Rose Bay	1,059	159	–	17	–	–	1,235	–
Parking – Double Bay	1,345	–	–	20	(1,365)	–	–	–
Civic improvements	110	5	–	2	–	–	117	–
Recreation	176	–	–	3	(12)	–	167	–
Plan preparation and administration	43	2	–	1	–	–	46	–
<b>Total</b>	<b>2,733</b>	<b>166</b>	<b>–</b>	<b>43</b>	<b>(1,377)</b>	<b>–</b>	<b>1,565</b>	<b>–</b>

## S94A LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN - 2005 Contributions Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	2,278	2,468	–	46	(2,071)	–	2,721	–
<b>Total</b>	<b>2,278</b>	<b>2,468</b>	<b>–</b>	<b>46</b>	<b>(2,071)</b>	<b>–</b>	<b>2,721</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	46	–	–	–	–	–	46	–
<b>Total</b>	<b>46</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>46</b>	<b>–</b>

## Woollahra Municipal Council

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

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other guarantees

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



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

###### (i) Third party claims

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

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

###### (ii) S94 plans

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

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

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

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

###### (iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

###### (iv) Secure Parking Pty Ltd Appeal

Council was awarded judgement against Secure Parking Pty Ltd regarding a tender for the operation of Council's car parks. The judgement was appealed and was heard by the Court of Appeal in October 2015. The appeal was successful and Council has repaid \$7.463m in damages to date. Council is also required to pay Secure Parking's legal costs which cannot be determined at reporting date.

###### (v) Judgement – Council v. Minister for Local Govt

Judgement in Council's case against the State Government in relation to its proposal to merge Woollahra with Randwick and Waverley Councils was handed down on 20 July 2016. Council's case was dismissed and it was ordered to pay the State's costs. Council has appealed the decision which is set down to be heard in the Court of Appeal on 22 August 2016. The outcome of the appeal is anticipated to be known soon after the hearing. It is not possible to estimate the potential financial impact at reporting date as the matter is pending.

## Woollahra Municipal Council

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

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

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\$ '000

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##### ASSETS NOT RECOGNISED:

###### (i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

###### (ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

###### (iii) Premsure Insurance Pool

At 30 June 2016, Council disclosed its continuing membership of the Premsure Insurance Pool on Note 19 noting it holds an immaterial interest in the Joint Venture.

It is known that some funds are held by the Pool and that they will be distributed to members upon closure of the Pool.

Accordingly, at year end there is a potential asset of Council in the amount of the distribution from the Pool.

However, there is no reliable basis upon which Council is able to determine the value of this potential asset.

## Woollahra Municipal Council

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

#### Note 19. Interests in other entities

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\$ '000

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

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

##### (b) Joint ventures and associates

Council remains a member of the Premsure Insurance Pool, but holds an immaterial interest in the Joint Venture.

##### (c) Joint operations

Council has no interest in any joint operations.

##### (d) Unconsolidated structured entities

Council did not consolidate the following structured entity:

##### **Double Bay Partnership Incorporated (trading as the Double Bay Chamber of Commerce)**

The Double Bay Chamber of Commerce was founded to help the growth of Double Bay with a commitment to helping the local business community. Following on from participation in the Future Cities Program, Double Bay now has a Place Plan, a single plan for the future of Double Bay. The Plan, which has been endorsed by the Chamber of Commerce and Council, sets out an ambitious series of strategies, priorities and actions aimed at achieving a new vision and place story for Double Bay.

##### **Nature of risks relating to the Unconsolidated Structured Entity**

Council annually considers its involvement with the Chamber of Commerce. For the 2015/16 financial year Council resolved to contribute an amount not exceeding \$95,880 to ensure that interim arrangements are in place for the delivery of Strategies, Priorities and Actions under themes 2, 4 and 5 of the Double Bay Place Plan.

	2016	2015
Losses (or expenses) incurred by Council relating to the Structured Entity	96	160

##### **Non-contractual financial support provided**

Nil

##### **Current intention to provide financial support**

The Double Bay Chamber of Commerce has submitted a funding request for 2016/17 supported by its *Double Bay Double Bay Chamber of Commerce Business Plan 2015-2018*. The request is for \$80,000 in operational funding plus a \$35,000 draw down arrangement associated with the Double Bay Street Festival. At reporting date, Council had not determined its position.

##### (e) Subsidiaries, joint arrangements and associates not recognised

None.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		506,869	499,038
a. Net operating result for the year		14,312	7,831
<b>Balance at end of the reporting period</b>		<b>521,181</b>	<b>506,869</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		258,022	231,071
<b>Total</b>		<b>258,022</b>	<b>231,071</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		231,071	170,193
– Revaluations for the year	9(a)	26,951	60,878
<b>– Balance at end of year</b>		<b>258,022</b>	<b>231,071</b>

#### (iii) Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

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

#### (c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

#### (d) Voluntary changes in accounting policies

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

### Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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 (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 13/09/16.

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

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

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

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

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

Council is aware of the following 'non-adjusting events' that merit disclosure:

In December 2015 the NSW State Government announced its proposal to merge Woollahra Council with Randwick and Waverley Councils. Following a Public Inquiry into the proposal, a report from the Government's appointed delegate, Dr Rob Lang, to the Minister for Local Government on the outcome of the Inquiry, has recommended that the merger proceed.

Woollahra Council launched legal proceedings in the NSW Land & Environment Court challenging various aspects of the State Government's merger proposal and its decision-making process. These proceedings were dismissed by a judgement delivered on 20 July 2016 (*refer 40297 of 2016; JL No. 151926 of 2016*).

Woollahra Council appealed that judgement to the NSW Court of Appeal with a hearing date of 22 August 2016. At the time of finalising these Financial Statements, judgement on Council's appeal was pending.

The NSW State Government has publicly announced its in-principle support of the merger proposal subject to the outcome of Council's legal challenge. Depending on the outcome of the appeal, the Government could proceed with its merger proposal resulting in the abolition of Woollahra Council and its merger with Randwick and Waverley Councils.

## Woollahra Municipal Council

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

#### Note 24. Discontinued operations

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\$ '000

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

#### Note 25. Intangible assets

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

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– 'Designated at fair value on initial recognition'	–	–	14,679	14,679
<b>Total financial assets</b>	<b>–</b>	<b>–</b>	<b>14,679</b>	<b>14,679</b>
<b>Investment properties</b>				
Kiaora place	–	–	144,000	144,000
Car parks	–	–	4,820	4,820
<b>Total investment properties</b>	<b>–</b>	<b>–</b>	<b>148,820</b>	<b>148,820</b>
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	8,576	8,576
Office equipment	–	–	2,562	2,562
Furniture and fittings	–	–	220	220
Operational land	–	–	63,641	63,641
Community land	–	–	121,422	121,422
Buildings – non-specialised	–	–	25,727	25,727
Buildings – specialised	–	–	13,745	13,745
Roads	–	–	323,205	323,205
Bridges	–	–	2,116	2,116
Footpaths	–	–	36,484	36,484
Stormwater drainage	–	–	40,836	40,836
Swimming pools	–	–	2,794	2,794
Other open space/recreational assets	–	–	23,500	23,500
Library books	–	–	1,445	1,445
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>666,273</b>	<b>666,273</b>

## Woollahra Municipal Council

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

#### Note 27. Fair value measurement

\$ '000

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

2015	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments – 'Designated at fair value on initial recognition'	1,000	–	641	1,641
<b>Total financial assets</b>	<b>1,000</b>	<b>–</b>	<b>641</b>	<b>1,641</b>
<b>Investment properties</b>				
Kiaora place	–	–	82,810	82,810
Car parks	–	–	7,300	7,300
<b>Total investment properties</b>	<b>–</b>	<b>–</b>	<b>90,110</b>	<b>90,110</b>
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	7,832	7,832
Office equipment	–	–	1,456	1,456
Furniture and fittings	–	–	143	143
Operational land	–	–	63,341	63,341
Community land	–	–	94,771	94,771
Buildings – non-specialised	–	–	26,301	26,301
Buildings – specialised	–	–	7,471	7,471
Roads	–	–	326,125	326,125
Bridges	–	–	2,142	2,142
Footpaths	–	–	36,474	36,474
Stormwater drainage	–	–	40,730	40,730
Swimming pools	–	–	3,027	3,027
Other open space/recreational assets	–	–	22,516	22,516
Library books	–	–	1,443	1,443
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>633,772</b>	<b>633,772</b>

#### (2) Transfers between level 1 and 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.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### (3) Valuation techniques used to derive level 2 and level 3 fair values

###### Financial Assets

The Investments at Fair Value through the Profit & Loss disclosed as Level 3 comprise Council's Emerald Reverse Mortgage Series 2007-1 Class B Security maturing 21 July 2057 and floating rate notes.

For its floating rate notes, Council receives monthly valuations from the issuer of the security. Council received independent valuation from CPG Research & Advisory for its Emerald RMBS. The 30 June valuations have been used to ensure the financial statements reflect the latest valuation. The best evidence of fair value is the current price in an active market for similar assets. The market, in the case of the Emerald RMBS, is highly illiquid as a consequence of the global financial crisis notwithstanding the robustness of its structure. As a consequence of this limited market evidence, it is difficult to value the security. The independent valuation indicates the value to be 65c.

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

###### Investment Properties

Council holds three Investment Properties:

Grafton Street Car Park, Bondi Junction  
Cosmopolitan Centre Car Park, Knox Street, Double Bay  
Kiaora Place, Double Bay

Council obtains independent valuations of its Investment Properties on an annual basis to ensure the financial statements reflect the latest valuations.

The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary:

- current prices in an active market for similar properties;
- expected future rental income generated from the properties.

The income approach has been used to value the properties. They were valued by Scott Fullarton Valuations Pty Ltd.

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

###### Plant & Equipment, Office Equipment and Furniture & Fittings

Council's Plant & Equipment, Office Equipment and Furniture & Fittings assets include:

- |                        |   |
|------------------------|---|
| • major plant          | truck, street sweepers, garbage compactors        |
| • vehicles             | cars, vans, utilities                             |
| • miscellaneous plant  | mowers, breakers, pressure cleaners, line markers |
| • furniture & fittings | desks, chairs, cabinets, shelving                 |
| • office equipment     | PCs, laptops, servers, projectors                 |

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the Notes to the Financial Statements. Council assumes that the depreciated historic cost reflects the fair value of the asset.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

Level 3 unobservable inputs include:

- pattern of consumption
- useful life
- asset condition
- residual value
- replacement cost

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

#### Operational Land

Council classifies Operational Land in accordance with Part 2 of Chapter 6 of the Local Government Act (1993).

Council obtains independent "fair value" valuations of its Operational Land every 5 years using Level 3 inputs. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date taking into account the characteristics of the asset (condition and location of the asset and restrictions, if any, on the sale or use of the asset).

The unobservable Level 3 inputs used include:

- Rate per square metre

There has been no change to the valuation process during the reporting period. Valuation was performed by Scott Fullarton Valuations Pty Ltd.

#### Community Land

Council's Community Land is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access. The Local Government Act imposes restrictions on Community Land in order to preserve the qualities of the land.

The Division of Local Government has determined that Community Land may be valued using the NSW Valuer General's valuation to represent fair value. The Valuer General issues valuations every 3 to 4 years.

The Valuer General uses comparable property sales to the land being valued and considers factors such as:

- property market conditions as at 1 July in the year of valuation;
- most valuable use for the land;
- constraints on use such as zoning and heritage restrictions;
- land size, shape and land features, such as slope and soil type;
- nearby development and infrastructure;
- views.

Council fair values Community Land using either NSW Valuer General unimproved capital value or an average unit rate based on unimproved capital values and allocated by Council against those properties where the Valuer General did not provide an unimproved capital value.

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### **Buildings – (Specialised and Non-Specialised)**

Council buildings incorporate Libraries, Community Buildings, Car Park Buildings, Kiosks and Amenities, Sportsfield and Park Buildings, Council Chambers and Depot Buildings.

Council obtains independent “fair value” valuations of its Buildings every 5 years using Level 3 inputs. The valuer utilises the Gross Restatement Method; the Gross Value of each building is obtained by applying a unit rate based on its current replacement cost. Rates are derived from substantial analysis of construction costs from over 60 NSW Councils and are continually updated to reflect movements in construction costs. Complex building structures are componentised into significant parts with different useful lives taking into account a range of factors. While all buildings are physically inspected for valuation, inputs such as estimates of residual value, useful life and pattern of consumption have required professional judgement and impacted significantly on the final determination of fair value. Buildings are therefore classified as being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition
- residual value

There has been no change to the valuation process during the reporting period. Valuation was performed by Scott Fullarton Valuations Pty Ltd.

##### **Roads**

This asset class comprises, Road Carriageway, Wearing and Base Course, Kerb and Gutter and Traffic Facilities.

Council’s Asset Management System (AMS) contains detailed segment dimensions and specifications for all Council roads. Council values this asset class every 4 years taking into consideration Council’s minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, roads are valued using Level 3 inputs.

Council also performs proactive asset inspections to determine if busy areas require additional maintenance thus prolonging the life of the asset. Council has in place an Asset Management Plan which details asset management practices to meet the required level of service in the most cost effective manner for present and future consumers.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating
- residual value

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

## Woollahra Municipal Council

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

#### Note 27. Fair value measurement (continued)

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##### Bridges

Council values this asset class every 4 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, bridges are valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating
- residual value

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

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##### Footpaths

Council values this asset class every 4 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, footpaths are valued using Level 3 inputs. Council's Asset Management System (AMS) contains detailed segment dimensions and specifications for footpaths.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating
- residual value

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

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##### Bulk Earthworks

Bulk Earthworks comprises the road subgrade. Due to the nature of subgrade it cannot be visually inspected however it is assumed to have infinite life, 100% residual value and is not depreciated. The fair value is based on the cost method using a unit rate multiplied by an assumed nominal depth. Council values this asset class every 4 years.

The unobservable Level 3 inputs used include:

- useful life
- asset condition
- residual value

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

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## Woollahra Municipal Council

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

#### Note 27. Fair value measurement (continued)

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##### Stormwater Drainage

This asset class comprises pits, pipes and stormwater quality improvements devices

Council values this asset class every 5 years taking into consideration Council's minor works contract unit rates, visual assessment (every 4 to 5 years) of the asset condition by qualified Council engineers to determine useful life and the asset condition using a 1 – 5 rating system (1 = New, 5 = Failed). Due to the professional judgement required in valuation, drainage assets are valued using Level 3 inputs. Council's Asset Management System (AMS) contains detailed segment dimensions and specifications for drainage.

Council also performs proactive asset inspections to determine if additional maintenance is required thus prolonging the life of the asset. Council has in place an Asset Management Plan which details drainage asset management practices to meet the required level of service in the most cost effective manner for present and future consumers.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition rating
- residual value

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

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##### Swimming Pools

Council has three harbour swimming pools:

- Watson's Bay Baths
- Murray Rose Pool (formerly Redleaf Pool)
- Parsley Bay

Harbour swimming pools are classified as Other Structures and are valued using depreciated historic cost. Annual review determines if there has been any impairment of assets within the class. Useful life, residual value and depreciation rates are reviewed annually.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition
- residual value

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

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## Woollahra Municipal Council

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

#### Note 27. Fair value measurement (continued)

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##### Other Open Space/Recreational Assets

Assets in this class include items such as playgrounds, gazebo's, park fencing and lighting, tennis courts, sportsfield surfaces and aggregated lower value assets such as park seats and picnic tables.

Other Open Space/Recreational Assets are classified as Other Structures and are valued using depreciated historic cost. Annual review determines if there has been any impairment of assets within the class. Useful life, residual value and depreciation rates are reviewed annually. Council has in place an Asset Management Plan which details land improvement/other structure asset management practices to meet the required level of service in the most cost effective manner for present and future consumers.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition
- residual value

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

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##### Library Books

Assets in this class include books, magazines, CD's, DVD and audio books.

Library books are valued using depreciated historic cost. Annual review determines if there has been any impairment of assets within the class.

The unobservable Level 3 inputs used include:

- pattern of consumption
- useful life
- asset condition
- residual value

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

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## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

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

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

	Invest- ments	Investment properties	Plant and equipment	Office equipment	Total
<b>Opening balance – 1/7/14</b>	680	89,350	8,061	902	98,993
Transfers from/(to) another asset class	–	–	–	341	341
Purchases (GBV)	–	760	1,978	409	3,147
Disposals (WDV)	–	–	(1,057)	–	(1,057)
Depreciation and impairment	–	–	(1,150)	(196)	(1,346)
FV losses - Income Statement	(39)	–	–	–	(39)
<b>Closing balance – 30/6/15</b>	<b>641</b>	<b>90,110</b>	<b>7,832</b>	<b>1,456</b>	<b>100,039</b>

Purchases (GBV)	14,000	39,515	3,062	1,341	57,918
Disposals (WDV)	–	–	(1,110)	(235)	(1,345)
Depreciation and impairment	–	–	(1,208)	–	(1,208)
FV gains – Income Statement <sup>1</sup>	38	19,195	–	–	19,233
<b>Closing balance – 30/6/16</b>	<b>14,679</b>	<b>148,820</b>	<b>8,576</b>	<b>2,562</b>	<b>174,637</b>

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

YE 14/15	(39)	–	–	–	(39)
YE 15/16	38	19,195	–	–	19,233

	Furniture and fittings	Operational land	Community land	Buildings non specialised	Total
<b>Opening balance – 1/7/14</b>	179	59,402	94,771	20,047	174,399
Purchases (GBV)	–	3,939	–	7,604	11,543
Depreciation and impairment	(36)	–	–	(1,350)	(1,386)
<b>Closing balance – 30/6/15</b>	<b>143</b>	<b>63,341</b>	<b>94,771</b>	<b>26,301</b>	<b>184,556</b>
Transfers from/(to) another asset class	–	–	–	46	46
Purchases (GBV)	110	–	–	838	948
Depreciation and impairment	(33)	–	–	(1,458)	(1,491)
FV gains – other comprehensive income	–	300	26,651	–	26,951
<b>Closing balance – 30/6/16</b>	<b>220</b>	<b>63,641</b>	<b>121,422</b>	<b>25,727</b>	<b>211,010</b>

# Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/14</b>	7,709	277,482	2,038	31,735	318,964
Transfers from/(to) another asset class	–	(341)	–	–	(341)
Purchases (GBV)	326	7,042	–	–	7,368
Disposals (WDV)	–	(1,519)	–	–	(1,519)
Depreciation and impairment	(564)	(3,447)	(23)	(1,212)	(5,246)
FV gains – other comprehensive income	–	46,908	127	5,951	52,986
<b>Closing balance – 30/6/15</b>	<b>7,471</b>	<b>326,125</b>	<b>2,142</b>	<b>36,474</b>	<b>372,212</b>
Transfers from/(to) another asset class	471	(1,145)	–	169	(505)
Purchases (GBV)	6,502	4,953	–	1,899	13,354
Disposals (WDV)	(128)	(2,216)	–	(615)	(2,959)
Depreciation and impairment	(571)	(4,512)	(26)	(1,443)	(6,552)
<b>Closing balance – 30/6/16</b>	<b>13,745</b>	<b>323,205</b>	<b>2,116</b>	<b>36,484</b>	<b>375,550</b>

	Storm-water drainage	Swimming pools	Other open space assets	Library books	Total
<b>Opening balance – 1/7/14</b>	33,434	3,075	23,128	1,474	61,111
Purchases (GBV)	–	–	794	361	1,155
Disposals (WDV)	–	–	(79)	(59)	(138)
Depreciation and impairment	(596)	(104)	(1,271)	(333)	(2,304)
FV gains – other comprehensive income	7,892	–	–	–	7,892
<b>Closing balance – 30/6/15</b>	<b>40,730</b>	<b>2,971</b>	<b>22,572</b>	<b>1,443</b>	<b>67,716</b>
Transfers from/(to) another asset class	13	–	204	–	217
Purchases (GBV)	1,306	–	1,999	378	3,683
Disposals (WDV)	(597)	–	(61)	–	(658)
Depreciation and impairment	(616)	(177)	(1,214)	(376)	(2,383)
<b>Closing balance – 30/6/16</b>	<b>40,836</b>	<b>2,794</b>	<b>23,500</b>	<b>1,445</b>	<b>68,575</b>



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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

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

There are no transfers identified in the table above.

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

##### Financial assets

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Fair Value through the Profit & Loss	14,679	Issuer and independent valuations	Unit Price

##### Investment properties

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Investment Properties	148,820	Independent valuation	<ul style="list-style-type: none"> <li>Net rental value</li> <li>Rental Yield</li> </ul>

##### I,PP&E

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Plant and Equipment, Office Equipment, Furniture and Fittings	11,358	Cost used to approximate fair value.	<ul style="list-style-type: none"> <li>Asset Cost</li> <li>Useful Life</li> </ul>
Operational Land	63,461	Independent valuation.	<ul style="list-style-type: none"> <li>Rate per m<sup>2</sup></li> </ul>
Community Land	121,422	Land values supplied by the Valuer General.	<ul style="list-style-type: none"> <li>Unimproved Capital Value (rate per m<sup>2</sup>)</li> </ul>
Buildings	39,742	Independent valuation.	<ul style="list-style-type: none"> <li>Current Replacement Cost</li> <li>Useful life</li> <li>Asset Condition</li> </ul>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Roads, Bridges & Footpaths	361,805	Unit rates per <sup>m</sup> 2 or length	<ul style="list-style-type: none"> <li>• Current Replacement Cost (Unit Rates)</li> <li>• Asset Condition Rating</li> <li>• Useful Life</li> </ul>
Stormwater Drainage	40,836	Unit rates per <sup>m</sup> 2 or length	<ul style="list-style-type: none"> <li>• Current Replacement Cost (Unit Rates)</li> <li>• Asset Condition Rating</li> <li>• Useful Life</li> </ul>
Swimming Pools	2,794	Cost used to approximate fair value.	<ul style="list-style-type: none"> <li>• Asset Cost</li> <li>• Asset Condition Rating</li> <li>• Useful Life</li> </ul>
Other Open Space / Recreational Assets	23,500	Cost used to approximate fair value.	<ul style="list-style-type: none"> <li>• Asset Cost</li> <li>• Useful Life</li> <li>• Asset Condition</li> </ul>
Library Books	1,445	Cost used to approximate fair value.	<ul style="list-style-type: none"> <li>• Asset Cost</li> <li>• Useful Life</li> <li>• Asset Condition</li> </ul>

#### (5). Highest and best use

All of Council's non-financial assets are considered to be utilised for their highest and best use which was established in consideration of the criteria of physical possibility, legal permissibility and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community goals.

# Woollahra Municipal Council

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

### Note 28. Council information and contact details

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**Principal place of business:**

536 New South Head Road  
Double Bay NSW 2028

**Contact details**

**Mailing address:**

PO Box 61  
Double Bay NSW 2028

**Opening hours:**

Mon - Fri 8:00 am to 4:30 pm

**Telephone:** 02 9391 7000

**Facsimile:** 02 9391 7044

**Internet:** <http://www.woollahra.nsw.gov.au>

**Email:** [records@woollahra.nsw.gov.au](mailto:records@woollahra.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Gary James

**RESPONSIBLE ACCOUNTING OFFICER**

Don Johnston, Chief Financial Officer

**PUBLIC OFFICER**

Stephen Dunshea, Director Corporate Services

**AUDITORS**

Hill Rogers  
Level 5, 1 Chifley Square  
Sydney

**Elected members**

**MAYOR**

Toni Zeltzer

**COUNCILLORS**

Ted Bennet  
Peter Cavanagh  
Luise Elsing  
James Keulemans  
Greg Levenston  
Anthony Marano  
Katherine O'Regan  
Andrew Petrie  
Matthew Robertson  
Deborah Thomas  
Susan Wynne  
Jeff Zulman

**Other information**

**ABN:** 32 218 483 245



## WOOLLAHRA MUNICIPAL COUNCIL

### GENERAL PURPOSE FINANCIAL STATEMENTS

### INDEPENDENT AUDITORS' REPORT

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#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of Woollahra Municipal Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

#### Responsibility of Council for the Financial Statements

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

#### Auditors' Responsibility

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

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

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#### Assurance Partners

well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

### **Independence**

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

### **Auditor's Opinion**

In our opinion,

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

### **HILL ROGERS**



**GARY MOTTAU**  
Partner

Dated at Sydney this 16th day of September 2016



16 September 2016

**The Mayor**

Woollahra Municipal Council

PO Box 61

DOUBLE BAY NSW 1360

Mayor,

**Audit Report - Year Ended 30 June 2016**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

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

**1. RESULTS FOR THE YEAR**

**1.1 Operating Result**

The operating result for the year was a surplus of \$14.312 million compared with a surplus of \$7.831 million in the previous year. The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

**Assurance Partners**



	2016	% of Total	2015	% of Total	Increase (Decrease)
	\$'000		\$'000		\$'000
<b>Revenues before capital items</b>					
Rates & annual charges	50,041	45%	48,477	53%	1,564
User charges, fees & other revenues	55,319	49%	36,618	40%	18,701
Grants & contributions provided for operating purposes	4,227	4%	4,496	5%	(269)
Interest & investment revenue	2,502	2%	2,075	2%	427
	<b>112,089</b>	100%	<b>91,666</b>	100%	<b>20,423</b>
<b>Expenses</b>					
Employee benefits & costs	38,334	38%	35,723	41%	2,611
Materials, contracts & other expenses	46,535	46%	35,509	41%	11,026
Depreciation, amortisation & impairment	11,869	12%	10,282	12%	1,587
Borrowing costs	4,314	4%	4,852	6%	(538)
	<b>101,052</b>	100%	<b>86,366</b>	100%	<b>14,686</b>
<b>Surplus (Deficit) before capital items</b>	<b>11,037</b>		<b>5,300</b>		<b>5,737</b>
Grants & contributions provided for capital purposes	3,275		2,531		744
<b>Net Surplus (Deficit) for the year</b>	<b>14,312</b>		<b>7,831</b>		<b>6,481</b>
<b>Performance Measures</b>					
	<b>2016</b>		<b>2015</b>		
Operating Performance	-4.91%		7.69%		
Own Source Operating Revenue	92.20%		92.54%		

The above table shows an overall increase of \$6.481 million from the previous year and is mainly attributable to the fair value increments for investment properties (\$19.195 million) offset by reduced settlements from legal proceedings (\$4.844 million), increased depreciation (\$1.587 million) and other expenses, including costs awarded against Council (\$7.463 million).

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was -4.91% and was below the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 92.20% and exceeded the benchmark of 60%.

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

	<b>2016</b>	<b>2015</b>
	\$'000	\$'000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>14,312</b>	<b>7,831</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	11,869	10,282
- Book value of non-current assets sold/written off	4,727	67,814
- (Gain)/Loss of fair value to investment properties	(19,195)	0
	<u>11,713</u>	<u>85,927</u>
New loan borrowings	58,250	13,624
Transfers from externally restricted assets (net)	1,912	0
Transfers from internal reserves (net)	49,379	0
Net Changes in current/non-current assets & liabilities	1,777	0
	<u>123,031</u>	<u>99,551</u>
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(61,661)	(23,213)
Principal repaid on loans	(61,362)	(1,373)
Transfers to externally restricted assets (net)	0	(2,121)
Transfers to internal reserves (net)	0	(75,003)
Net Changes in current/non-current assets & liabilities	0	(62,856)
	<u>(123,023)</u>	<u>(164,566)</u>
<b>Increase/(Decrease) in Available Working Capital</b>	<b>8</b>	<b>(65,015)</b>

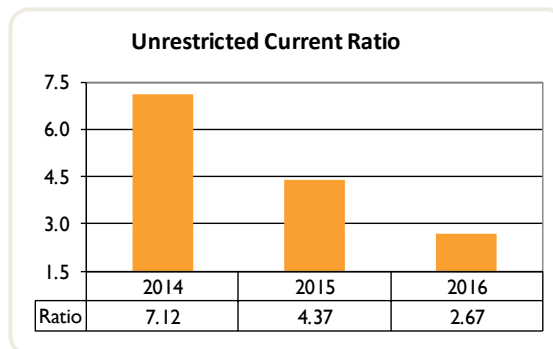
## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio



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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$46.709 million representing a factor of 2.67 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$2.819 million as detailed below;

	2016	2015	Change
	\$'000	\$'000	\$'000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>32,345</b>	<b>88,296</b>	<b>(55,951)</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	22,314	18,761	3,553
Adjusted Net Current Assets	54,659	107,057	(52,398)
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	3,175	2,263	912
- Employees leave entitlements	3,649	3,471	178
- Deposits & retention moneys	4,626	4,601	25
<b>Less:</b> Externally restricted assets	(7,950)	(9,862)	1,912
<b>Less:</b> Internally restricted assets	(55,340)	(104,719)	49,379
<b>Available Working Capital as at 30 June</b>	<b>2,819</b>	<b>2,811</b>	<b>8</b>

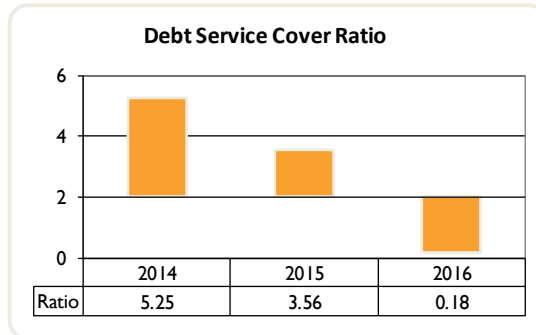
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves), including \$23.410 million, \$8.989 million and \$6.941 million in the Property, 9A Cooper Park Road and Litigation Proceeds Reserves respectively set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

## 2.3 Debt

After repaying principal and interest of \$65.676 million and taking up new borrowings of \$58.250 million, total debt as at 30 June 2016 stood at \$73.509 million (2015 - \$76.621 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 0.18 to 1. Further details are provided in the commentary to Note 13a(ii).



## 2.4 Summary

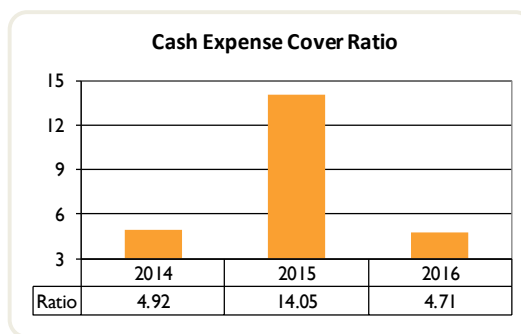
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

## 3. CASH ASSETS

### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

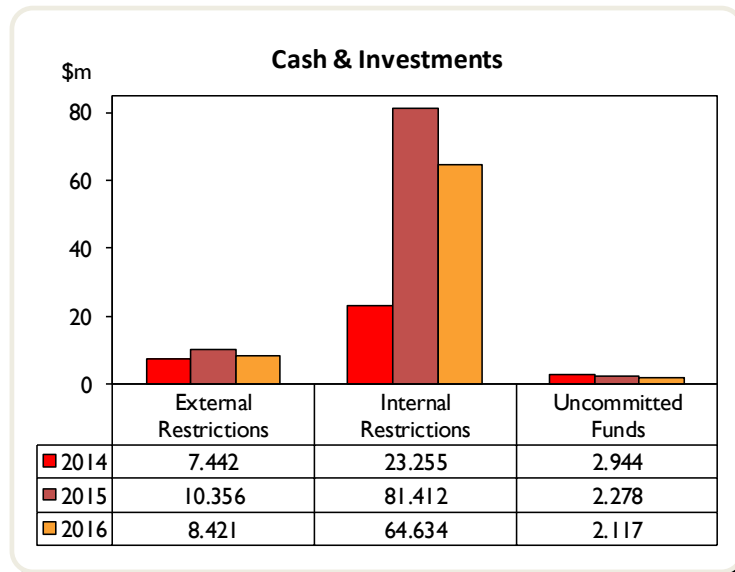
For 2016, this ratio stood at 4.71 months compared to the benchmark of 3.



### 3.2 Cash & Investment Securities

Cash and investments amounted \$75.172 million at 30 June 2016 as compared with \$94.046 million in 2015 and \$33.641 million in 2014.

The chart alongside summarises the purposes for which cash and investments securities were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$4.710 million), domestic waste management charges (\$2.147 million), environmental and infrastructure levies (\$1.333 million) and specific purpose grants and contributions (\$231,000).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council’s “Reserves”. These Reserves totalled \$64.634 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$2.117 million, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$10.912 million to \$19.493 million at the close of the year.

In addition to operating activities which contributed net cash of \$19.030 million were the proceeds from the sale of investment securities (\$72.002 million), proceeds from borrowings (\$58.250 million) and sale of assets (\$34.746 million). Cash outflows other than operating activities were used to purchase investment securities (\$64 million), repay borrowings (\$61.362 million) and to purchase and construct assets (\$69.578 million).

## 4. RECEIVABLES

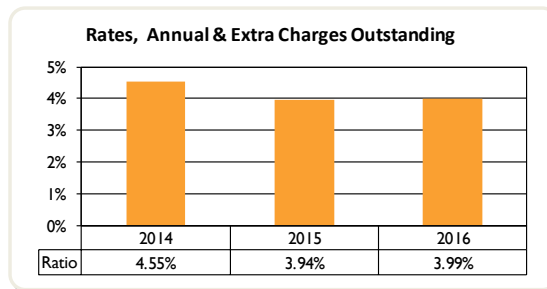
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$50.041 million and represented 43.38% of Council’s total revenues.

Including arrears, the total rates and annual charges collectible was \$51.747 million of which \$49.961 million (97%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$2.084 million at the end of the year and represented 3.99% of those receivables.



### 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$6.209 million and included user charges and fees (\$563,000), outstanding sale proceeds (\$920,000) and net GST receivable (\$764,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$72,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council’s provision for its liability toward employees leave entitlements and associated on costs amounted to \$12.361 million. Restricted cash and investments, including portions of the Domestic waste management and Preschool Reserves, of \$2.902 million was held representing 23% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

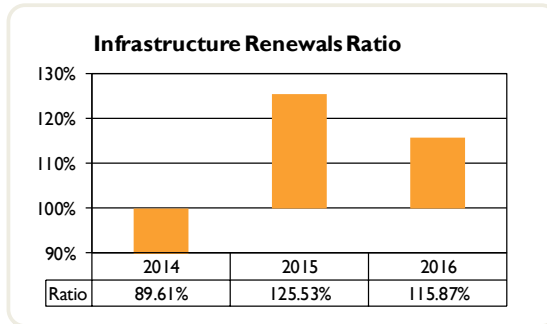
### 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$18.452 million and were 77% funded by internally restricted cash and investments.

## 6. INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2016 represented 116% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. REVALUATION OF ASSETS

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, operational and community land was revalued. This resulted in a net increase of \$26.951 million that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

## 8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 11 March 2016. This included our suggestions on possible ways to strengthen and/or improve procedures and management's responses and planned actions.

## 9. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,  
**HILL ROGERS**

**GARY MOTTAU**  
Partner

# Woollahra Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"...a great place to live, work and visit where places  
and spaces are safe, clean and well maintained."*



## Woollahra Municipal Council

### Special Purpose Financial Statements for the year ended 30 June 2016

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**Council has not formally declared any operations as business activities for NCP purposes**

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# Woollahra Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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*"...a great place to live, work and visit where places  
and spaces are safe, clean and well maintained."*





# Woollahra Municipal Council

## Special Schedules

for the year ended 30 June 2016

### Contents

Page

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

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2(a)</b>	Statement of Long Term Debt (all purposes)	4
<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
<b>Notes to Special Schedules 3 and 5</b>		n/a
<b>Special Schedule 7</b>	Report on Infrastructure Assets	5
<b>Special Schedule 8</b>	Permissible Income Calculation	8

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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#### 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.

# Woollahra Municipal Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>3,634</b>	<b>5</b>	<b>–</b>	<b>(3,629)</b>
<b>Administration</b>	<b>18,484</b>	<b>4,827</b>	<b>–</b>	<b>(13,657)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	2,761	–	–	(2,761)
Beach control	–	–	–	–
Enforcement of local government regulations	3,060	8,914	–	5,854
Animal control	122	28	–	(94)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>5,943</b>	<b>8,942</b>	<b>–</b>	<b>2,999</b>
<b>Health</b>	<b>434</b>	<b>118</b>	<b>–</b>	<b>(316)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	1,391	536	–	(855)
Solid waste management	11,297	15,490	–	4,193
Street cleaning	2,467	109	–	(2,358)
Drainage	1,603	–	–	(1,603)
Stormwater management	–	485	85	570
<b>Total environment</b>	<b>16,758</b>	<b>16,620</b>	<b>85</b>	<b>(53)</b>
<b>Community services and education</b>				
Administration and education	3,368	1,134	–	(2,234)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>3,368</b>	<b>1,134</b>	<b>–</b>	<b>(2,234)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	1,358	357	–	(1,001)
Town planning	5,218	2,001	2,634	(583)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>6,576</b>	<b>2,358</b>	<b>2,634</b>	<b>(1,584)</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Woollahra Municipal Council

## Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	4,378	442	–	(3,936)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	829	336	–	(493)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	7,378	846	69	(6,463)
Other sport and recreation	193	–	–	(193)
<b>Total recreation and culture</b>	<b>12,778</b>	<b>1,624</b>	<b>69</b>	<b>(11,085)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	1,494	1,074	–	(420)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>1,494</b>	<b>1,074</b>	<b>–</b>	<b>(420)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	8,145	4,061	387	(3,697)
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	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	8,884	–	–	(8,884)
Footpaths	2,094	2	–	(2,092)
Aerodromes	–	(454)	–	(454)
Other transport and communication	4,018	1,213	–	(2,805)
<b>Total transport and communication</b>	<b>23,141</b>	<b>4,822</b>	<b>387</b>	<b>(17,932)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	8,442	33,800	100	25,458
<b>Total economic affairs</b>	<b>8,442</b>	<b>33,800</b>	<b>100</b>	<b>25,458</b>
<b>Totals – functions</b>	<b>101,052</b>	<b>75,324</b>	<b>3,275</b>	<b>(22,453)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>36,765</b>		<b>36,765</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	–	–	–
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>101,052</b>	<b>112,089</b>	<b>3,275</b>	<b>14,312</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Woollahra Municipal Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	2,213	16,158	<b>18,371</b>	58,250	3,112	–	–	2,970	3,175	70,334	<b>73,509</b>
Other - Woolworths	50	58,200	<b>58,250</b>	–	58,250	–	–	1,344	–	–	–
<b>Total loans</b>	<b>2,263</b>	<b>74,358</b>	<b>76,621</b>	<b>58,250</b>	<b>61,362</b>	<b>–</b>	<b>–</b>	<b>4,314</b>	<b>3,175</b>	<b>70,334</b>	<b>73,509</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>2,263</b>	<b>74,358</b>	<b>76,621</b>	<b>58,250</b>	<b>61,362</b>	<b>–</b>	<b>–</b>	<b>4,314</b>	<b>3,175</b>	<b>70,334</b>	<b>73,509</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

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

## Woollahra Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	–	–	739	791	39,472	88,615	16%	66%	18%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>739</b>	<b>791</b>	<b>39,472</b>	<b>88,615</b>	<b>16.0%</b>	<b>66.0%</b>	<b>18.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Roads	Sealed roads	2,550	–	753	698	321,137	462,844	26%	33%	40%	1%	0%
	Bridges	–	–	–	–	2,116	2,570		100%			0%
	Footpaths	251	–	841	780	36,484	72,710	9%	57%	34%		0%
	<b>Sub-total</b>	<b>2,801</b>	<b>–</b>	<b>1,594</b>	<b>1,478</b>	<b>359,737</b>	<b>538,124</b>	<b>23.6%</b>	<b>36.6%</b>	<b>39.0%</b>	<b>0.9%</b>	<b>0.0%</b>
Stormwater drainage	Stormwater drainage	540	–	156	154	40,836	86,887	66%	11%	23%	1%	0%
	<b>Sub-total</b>	<b>540</b>	<b>–</b>	<b>156</b>	<b>154</b>	<b>40,836</b>	<b>86,887</b>	<b>65.9%</b>	<b>10.7%</b>	<b>22.8%</b>	<b>0.6%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	40	40	2,794	4,054	94%		6%		0%
	Other parks & open space	1,495	–	3,191	3,219	23,500	32,617	12%	38%	44%	6%	0%
	<b>Sub-total</b>	<b>1,495</b>	<b>–</b>	<b>3,231</b>	<b>3,259</b>	<b>26,294</b>	<b>36,671</b>	<b>21.1%</b>	<b>33.8%</b>	<b>39.8%</b>	<b>5.3%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>4,836</b>	<b>–</b>	<b>5,720</b>	<b>5,682</b>	<b>466,339</b>	<b>750,297</b>	<b>27.5%</b>	<b>36.9%</b>	<b>34.7%</b>	<b>0.9%</b>	<b>0.0%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

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

## Woollahra Municipal Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>11,607</u>	<b>115.87%</b>	125.53%	89.61%
Depreciation, amortisation and impairment	<u>10,017</u>			
<b>1(a). Building renewals ratio</b>				
Asset renewals (buildings) <sup>(1)</sup>	<u>2,418</u>	<b>119.17%</b>	316.72%	74.91%
Depreciation, amortisation and impairment	<u>2,029</u>			
<b>1(b). Infrastructure renewals ratio</b>				
Asset renewals (infrastructure) <sup>(1)</sup>	<u>9,189</u>	<b>115.04%</b>	70.52%	94.23%
Depreciation, amortisation and impairment	<u>7,988</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>4,836</u>	<b>1.04%</b>	1.34%	1.36%
Carrying value of infrastructure assets	<u>466,339</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>5,682</u>	<b>0.99</b>	1.03	0.95
Required asset maintenance	<u>5,720</u>			
<b>4. Capital expenditure ratio</b>				
Annual capital expenditure	<u>17,661</u>	<b>1.49</b>	1.92	0.89
Annual depreciation	<u>11,869</u>			

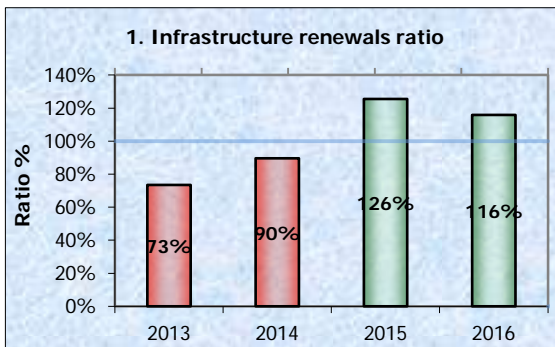
#### Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

<sup>(1)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Woollahra Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



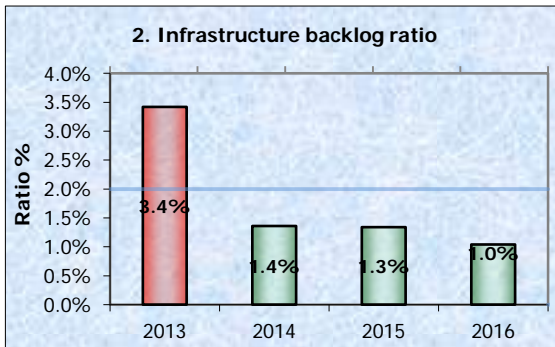
**Purpose of asset renewals ratio**

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

Commentary on 2015/16 result	
<b>2015/16 Ratio</b>	<b>115.87%</b>
Council's ratio remains above benchmark for 2016	

Benchmark: ——— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



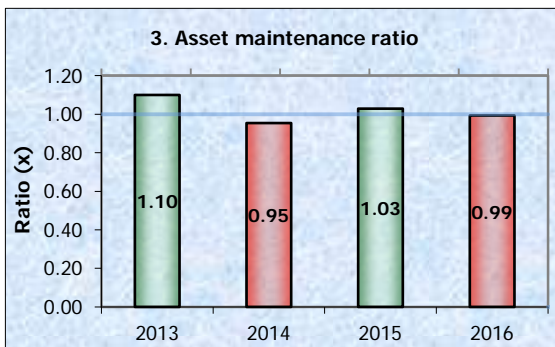
**Purpose of infrastructure backlog ratio**

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

Commentary on 2015/16 result	
<b>2015/16 Ratio</b>	<b>1.04%</b>
Council's ratio remains within benchmark for 2016	

Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



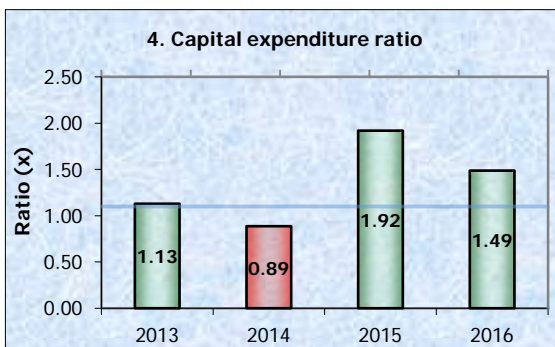
**Purpose of asset maintenance ratio**

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 2015/16 result	
<b>2015/16 Ratio</b>	<b>0.99 x</b>
As can be seen from the chart, maintenance expenditure tends to be cyclical. The average ratio over the 4 years is 1.02x and above benchmark.	

Benchmark: ——— Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves 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 2015/16 result	
<b>2015/16 Ratio</b>	<b>1.49 x</b>
Council's ratio remains above benchmark for 2016	

Benchmark: ——— Minimum  $> 1.10$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

## Woollahra Municipal Council

### Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	36,113	37,040
Plus or minus adjustments <sup>(2)</sup>	b	80	29
<b>Notional general income</b>	c = (a + b)	<b>36,193</b>	<b>37,069</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	869	667
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>37,061</b>	<b>37,736</b>
Plus (or minus) last year's carry forward total	l	10	24
Less valuation objections claimed in the previous year	m	(9)	(2)
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>22</b>
<b>Total permissible income</b>	o = k + n	<b>37,062</b>	<b>37,758</b>
Less notional general income yield	p	37,040	37,731
<b>Catch-up or (excess) result</b>	q = o – p	<b>22</b>	<b>27</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	2	1
Less unused catch-up <sup>(5)</sup>	s	–	(1)
<b>Carry forward to next year</b>	t = q + r – s	<b>24</b>	<b>27</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.





## WOOLLAHRA MUNICIPAL COUNCIL

### SPECIAL SCHEDULE NO. 8

### INDEPENDENT AUDITORS' REPORT

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#### REPORT ON SPECIAL SCHEDULE NO. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Woollahra Municipal Council for the year ending 30 June 2017.

#### Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

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#### Assurance Partners

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

**Independence**

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

**Audit Opinion**

In our opinion, Special Schedule No. 8 of Woollahra Municipal Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of Accounting**

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

**HILL ROGERS**



**GARY MOTTAU**  
Partner

Dated at Sydney this 16th day of September 2016