



# Woollahra Municipal Council

## Annual Report

2016/17

Part 4 –  
Financial Information

**Part 4 Financial Information**

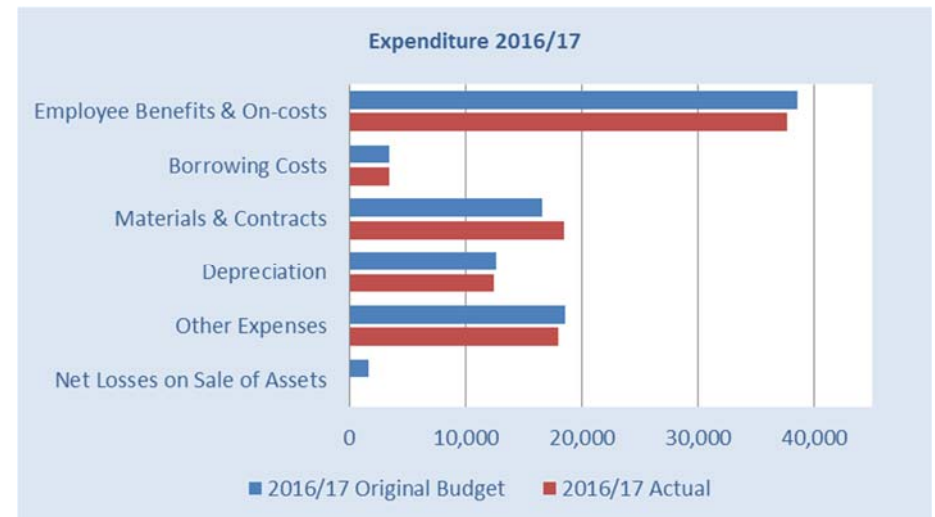
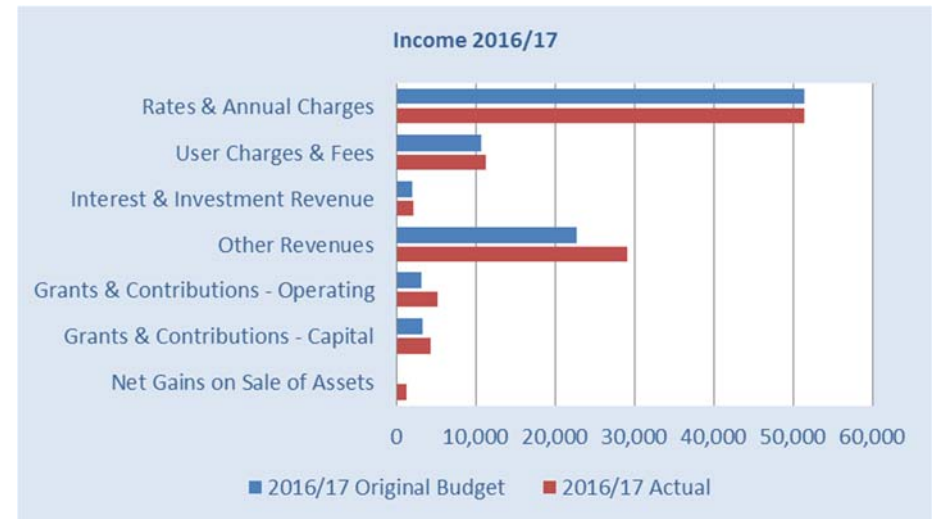
Financial Summary by Goal ..... 2  
Financial Summary ..... 3  
Income and Expenditure ..... 3  
Key Financial Indicators ..... 4  
Annual Financial Statements ..... 5

### 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	663	(645)	7,226
Goal 2: A supported community	1,147	2,373	(1,226)	3,461
Goal 3: A creative and vibrant community	1,009	5,922	(4,913)	8,333
Quality places and spaces				
Goal 4: Well planned neighbourhoods	2,789	5,789	(3,000)	995
Goal 5: Liveable places	7,097	24,878	(17,781)	540,828
Goal 6: Getting around	9,573	5,274	4,299	53,981
A healthy environment				
Goal 7: Protecting our environment	340	1,946	(1,606)	41,557
Goal 8: Sustainable use of resources	16,618	11,164	5,454	3,871
Local prosperity				
Goal 9: Community focused economic development	15,303	8,398	6,905	152,946
Community leadership & participation				
Goal 10: Working together	8	909	(901)	40
Goal 11: Well managed council	12,722	19,297	(6,575)	73,949
Governance	5	3,264	(3,259)	-
General Purpose Income	37,944		37,944	74,179
<b>Total</b>	<b>\$104,573</b>	<b>\$89,877</b>	<b>\$14,696</b>	<b>\$961,366</b>

### Financial Summary

	\$'000
Total income from Continuing Operations	\$104,573
Total expenses from Continuing Operations	\$89,877
Net operating surplus for 2016/17	\$14,696
Net operating surplus before Capital Grants and Contributions	\$10,393
<b>New Capital Works</b>	<b>\$3,442</b>
Capital Renewal Works	\$16,583
<b>Total Capital Expenditure</b>	<b>\$20,025</b>
<b>Total Assets</b>	<b>\$961,366</b>
<b>Total Liabilities</b>	<b>\$110,033</b>
<b>Net Assets</b>	<b>\$851,333</b>



### Key Financial Indicators

Ratio	Purpose	Benchmark	2016/17	2015/16	2014/15
<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	4.34%	-4.91%	7.69%
<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%	90.40%	92.20%	92.54%
<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	3.87 : 1	2.67 : 1	4.37 : 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	3.00x	0.18x	3.56x
<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%	4.13%	3.99%	3.94%
<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	6.97 <sub>mths</sub>	4.7 <sub>mths</sub>	14.1 <sub>mths</sub>
<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%	103.05%	115.87%	125.53%
<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%	1.38%	1.04%	1.34%
<b>Asset Maintenance Ratio</b>	Reflects the actual asset maintenance expenditure relative to the required asset maintenance.	Greater than 1.00	1.00	0.99	1.03
<b>Cost to bring assets to Agreed Level of Service</b>	A snapshot of the proportion of outstanding renewal works compared to the total suite of assets that Council has under its care and stewardship.	New ratio, none set	0.89%	-	-

# Woollahra Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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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 2017

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])	87
– On the Conduct of the Audit (Sect 417 [3])	90

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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 31 October 2017. 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 2017

#### 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 2017.

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

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

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

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

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

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

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

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

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

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

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

##### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. 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 2017

### 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:**

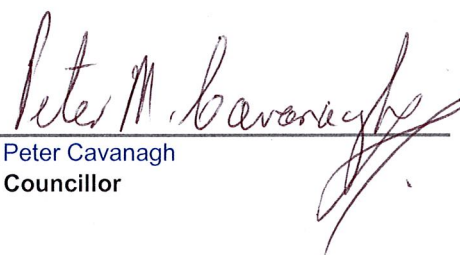
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

**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 28 August 2017.**



Toni Zeltzer  
Mayor



Peter Cavanagh  
Councillor



Gary James  
General Manager



Don Johnston, Chief Financial Officer  
Responsible Accounting Officer

# Woollahra Municipal Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
51,388	Rates and annual charges	3a	51,427	50,041
10,660	User charges and fees	3b	11,238	10,601
1,906	Interest and investment revenue	3c	2,187	2,502
22,648	Other revenues	3d	29,045	44,718
3,161	Grants and contributions provided for operating purposes	3e,f	5,132	4,227
3,240	Grants and contributions provided for capital purposes	3e,f	4,303	3,275
<b>Other income:</b>				
	Net gains from the disposal of assets	5	1,241	–
	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>93,002</b>	<b>Total income from continuing operations</b>		<b>104,573</b>	<b>115,364</b>
<b>Expenses from continuing operations</b>				
38,517	Employee benefits and on-costs	4a	37,663	38,334
3,462	Borrowing costs	4b	3,462	4,314
16,587	Materials and contracts	4c	18,451	18,493
12,658	Depreciation and amortisation	4d	12,259	11,869
	Impairment	4d	117	–
18,519	Other expenses	4e	17,925	24,406
1,614	Net losses from the disposal of assets	5	–	3,636
	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>91,357</b>	<b>Total expenses from continuing operations</b>		<b>89,877</b>	<b>101,052</b>
<b>1,646</b>	<b>Operating result from continuing operations</b>		<b>14,696</b>	<b>14,312</b>
<b>Discontinued operations</b>				
	Net profit/(loss) from discontinued operations	24	–	–
<b>1,646</b>	<b>Net operating result for the year</b>		<b>14,696</b>	<b>14,312</b>
1,646	Net operating result attributable to Council		14,696	14,312
	Net operating result attributable to non-controlling interests		–	–
<b>(1,594)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>10,393</b>	<b>11,037</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 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>14,696</b>	<b>14,312</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)	57,040	26,951
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>57,040</b>	<b>26,951</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>57,040</b>	<b>26,951</b>
<b>Total comprehensive income for the year</b>		<b>71,736</b>	<b>41,263</b>
<b>Total comprehensive income attributable to Council</b>		<b>71,736</b>	<b>41,263</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 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	9,227	19,493
Investments	6b	62,778	55,679
Receivables	7	7,153	8,138
Inventories	8	254	252
Other	8	506	191
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>79,918</b>	<b>83,753</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	92	83
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	725,396	666,273
Investments accounted for using the equity method	19	–	–
Investment property	14	154,020	148,820
Other	8	1,940	2,240
<b>Total non-current assets</b>		<b>881,448</b>	<b>817,416</b>
<b>TOTAL ASSETS</b>		<b>961,366</b>	<b>901,169</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	26,612	34,598
Income received in advance	10	1,264	1,498
Borrowings	10	3,351	3,175
Provisions	10	11,601	12,137
<b>Total current liabilities</b>		<b>42,828</b>	<b>51,408</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	66,983	70,334
Provisions	10	222	224
<b>Total non-current liabilities</b>		<b>67,205</b>	<b>70,558</b>
<b>TOTAL LIABILITIES</b>		<b>110,033</b>	<b>121,966</b>
<b>Net assets</b>		<b>851,333</b>	<b>779,203</b>
<b>EQUITY</b>			
Retained earnings	20	536,272	521,182
Revaluation reserves	20	315,061	258,022
Council equity interest		851,333	779,203
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>851,333</b>	<b>779,203</b>

## Woollahra Municipal Council

### Statement of Changes in Equity for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		521,182	258,022	–	<b>779,203</b>	–	<b>779,203</b>	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)	–	–	–	–	–	–	–	–	–	–	–	–
c. Other changes	20 (a)	394	–	–	<b>394</b>	–	<b>394</b>	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>521,576</b>	<b>258,022</b>	<b>–</b>	<b>779,598</b>	<b>–</b>	<b>779,598</b>	<b>506,869</b>	<b>231,071</b>	<b>–</b>	<b>737,940</b>	<b>–</b>	<b>737,940</b>
<b>d. Net operating result for the year</b>		<b>14,696</b>	–	–	<b>14,696</b>	–	<b>14,696</b>	14,312	–	–	<b>14,312</b>	–	<b>14,312</b>
e. Other comprehensive income		–	–	–	–	–	–	–	–	–	–	–	–
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	57,040	–	<b>57,040</b>	–	<b>57,040</b>	–	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>57,040</b>	<b>–</b>	<b>57,040</b>	<b>–</b>	<b>57,040</b>	<b>–</b>	<b>26,951</b>	<b>–</b>	<b>26,951</b>	<b>–</b>	<b>26,951</b>
<b>Total comprehensive income (d&amp;e)</b>		<b>14,696</b>	<b>57,040</b>	<b>–</b>	<b>71,736</b>	<b>–</b>	<b>71,736</b>	<b>14,312</b>	<b>26,951</b>	<b>–</b>	<b>41,263</b>	<b>–</b>	<b>41,263</b>
<b>Equity – balance at end of the reporting period</b>		<b>536,272</b>	<b>315,061</b>	<b>–</b>	<b>851,333</b>	<b>–</b>	<b>851,333</b>	<b>521,182</b>	<b>258,022</b>	<b>–</b>	<b>779,203</b>	<b>–</b>	<b>779,203</b>

## Woollahra Municipal Council

### Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
51,228	Rates and annual charges		51,318	49,961
14,317	User charges and fees		10,833	10,204
1,906	Investment and interest revenue received		2,154	2,472
6,848	Grants and contributions		8,896	7,776
	Bonds, deposits and retention amounts received		6,184	5,286
25,194	Other		30,654	36,051
<b>Payments:</b>				
(37,709)	Employee benefits and on-costs		(38,295)	(37,317)
(25,973)	Materials and contracts		(27,800)	(13,511)
(3,462)	Borrowing costs		(3,463)	(4,291)
	Bonds, deposits and retention amounts refunded		(4,236)	(2,835)
(20,367)	Other		(21,611)	(34,766)
<u>11,982</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>14,634</u>	<u>19,030</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
	Sale of investment securities		77,010	72,002
	Sale of real estate assets		–	–
1,973	Sale of infrastructure, property, plant and equipment		7,043	34,746
<b>Payments:</b>				
	Purchase of investment securities		(84,000)	(64,000)
	Purchase of investment property		(226)	(39,515)
(18,636)	Purchase of infrastructure, property, plant and equipment		(21,551)	(30,063)
<u>(16,663)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(21,724)</u>	<u>(26,830)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
	Proceeds from borrowings and advances		–	58,250
<b>Payments:</b>				
(3,175)	Repayment of borrowings and advances		(3,175)	(61,362)
<u>(3,175)</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(3,175)</u>	<u>(3,112)</u>
<u>(7,856)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(10,266)</u>	<u>(10,912)</u>
57,749	Plus: cash and cash equivalents – beginning of year	11a	19,493	30,405
<u>49,893</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>9,227</u>	<u>19,493</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	62,778	55,679
	<b>Total cash, cash equivalents and investments</b>		<u>72,005</u>	<u>75,172</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 2017

### 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	22
2(b)	Council functions/activities – component descriptions	23
3	Income from continuing operations	25
4	Expenses from continuing operations	31
5	Gains or losses from the disposal of assets	35
6(a)	Cash and cash equivalent assets	36
6(b)	Investments	36
6(c)	Restricted cash, cash equivalents and investments – details	37
7	Receivables	39
8	Inventories and other assets	40
9(a)	Infrastructure, property, plant and equipment	41
9(b)	Externally restricted infrastructure, property, plant and equipment	42
9(c)	Infrastructure, property, plant and equipment – current year impairments	42
10(a)	Payables, borrowings and provisions	43
10(b)	Description of (and movements in) provisions	44
11	Statement of cash flows – additional information	45
12	Commitments for expenditure	47
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	49
	13a (ii) Local government industry graphs (consolidated)	50
14	Investment properties	52
15	Financial risk management	53
16	Material budget variations	57
17	Statement of developer contributions	62
18	Contingencies and other liabilities/assets not recognised	65
19	Interests in other entities	68
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	71
21	Financial result and financial position by fund	72
22	'Held for sale' non-current assets and disposal groups	72
23	Events occurring after the reporting date	72
24	Discontinued operations	72
25	Intangible assets	72
26	Reinstatement, rehabilitation and restoration liabilities	72
27	Fair value measurement	73
28	Related party disclosures	85
	<b>Additional council disclosures</b>	
29	Council information and contact details	86

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

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

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

##### (i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] was adopted during the year, the impact of this standard had no impact on the financial position or performance.

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### (iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

##### (iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also 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 the 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 include:

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

##### **Significant judgements in applying the 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.

##### (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 the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its 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:



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Control over granted assets/contributed 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.

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

##### (ii) User charges and fees

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

##### (iii) 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.

##### (iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

##### (v) Rent

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

##### (vi) 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

##### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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.

Cash and other assets of 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 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

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

Council is not a member of any county councils.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (iv) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

The Council has determined that it has only joint operations with Waverley Council.

###### Joint operations

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

##### (d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that

Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

##### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (f) Cash and cash equivalents

For Statement of Cash Flow 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.

## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### **(g) Inventories**

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

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

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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.

##### **(ii) Inventory held for distribution**

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

##### **(iii) Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### **(h) Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

#### **(i) Investments and other financial assets**

##### **Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

##### (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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

##### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

##### **Subsequent measurement**

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### **Impairment**

Council assesses at the end of each reporting period 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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### (i) Assets carried at amortised cost

For 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 Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

##### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (j) Fair value estimation – financial instruments

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- \* Operational land
- \* Community land \*
- \* Buildings – specialised/non-specialised
- \* Council uses the unimproved capital value of land supplied by the Valuer General to value its community land. The valuations used in 2016/17 have a base date of 1 July 2016.

A small number of parcels of land, predominantly drainage reserves, have not been valued by the Valuer General. To value these parcels Council applies the average value per square metre of like parcels to the area of the unvalued parcels.

The total value of these parcels is \$1.8m, comprising just 1.4% of the total value of community land of \$129m.

Council has referred these parcels to the Valuer General for valuation. Any valuations received will be recognised in the next general revaluation due in 2019.

##### Internally valued:

- \* Plant and equipment
- \* Land improvements
- \* Roads assets including roads, bridges and footpaths
- \* Bulk earthworks
- \* Stormwater drainage
- \* Swimming pools
- \* Other open space/recreational assets
- \* Other assets

##### As approximated by depreciated historical cost:

- \* Plant and equipment
- \* Swimming pools
- \* Other open space/recreational assets
- \* Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

residual values, over their estimated useful lives as follows:

##### 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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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

#### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

#### (m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (n) Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (o) Borrowing costs

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

##### (p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

##### (q) Employee benefits

###### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

###### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

###### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, 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 that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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

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

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

The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA on 2/12/16, relating to the period ending 30/06/16.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2017 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 2017 was \$ 831,473.

The amount of additional contributions included in the total employer contribution advised above is \$344,000.

The share of this deficit that can be attributed to Council is estimated to be 0.85%. Additional contributions are estimated to remain in place until 30 June 2020, i.e. \$1,122,000 additional contributions remaining.

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.

#### **(r) 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.

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

#### **(s) Self-insurance**

Council does not self-insure.

#### **(t) Intangible assets**

Council has not classified any assets as intangible.

#### **(u) 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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

and use in accordance with the specific purposes to which the reserves are dedicated.

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

#### (v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

#### (w) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

#### Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

#### Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

#### Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

#### Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*AASB 1057 *Application of Australian Accounting Standards*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and*

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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*Measurement of Share-based Payment Transactions*

- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

**Effective for annual reporting periods beginning on or after 1 January 2019**

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

#### **(x) Rounding of amounts**

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

#### **(y) 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.

#### **(z) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	5	5	5	3,252	3,264	3,634	(3,248)	(3,259)	(3,629)	–	–	–	–
A connected and harmonious community	18	18	18	642	663	645	(624)	(645)	(627)	17	17	7,226	4,295
A supported community	1,064	1,147	1,056	2,376	2,373	2,286	(1,312)	(1,226)	(1,230)	382	239	3,461	2,367
A creative and vibrant community	628	1,009	519	5,555	5,922	4,995	(4,927)	(4,913)	(4,476)	151	149	8,333	4,725
Well planned neighbourhoods	2,709	2,789	2,570	5,668	5,789	5,697	(2,959)	(3,000)	(3,127)	–	–	995	743
Liveable places	5,991	7,097	6,110	25,909	24,878	24,482	(19,918)	(17,781)	(18,372)	2,183	1,363	540,828	525,020
Getting around	9,327	9,573	7,314	3,813	5,274	11,455	5,514	4,299	(4,141)	90	181	53,981	45,049
Protecting our environment	260	340	323	1,969	1,946	1,935	(1,709)	(1,606)	(1,612)	6	42	41,557	41,101
Sustainable use of resources	16,112	16,618	15,650	11,357	11,164	10,896	4,755	5,454	4,754	182	98	3,871	3,737
Community focused economic developm't	9,718	15,303	29,986	8,344	8,398	9,272	1,374	6,905	20,714	150	160	152,946	147,720
Working together	8	8	3	799	909	779	(791)	(901)	(776)	–	–	40	45
Well managed Council	10,381	12,722	15,045	21,672	19,297	24,976	(11,290)	(6,575)	(9,931)	236	206	73,949	49,046
<b>Total functions and activities</b>	<b>56,221</b>	<b>66,629</b>	<b>78,599</b>	<b>91,356</b>	<b>89,877</b>	<b>101,052</b>	<b>(35,135)</b>	<b>(23,248)</b>	<b>(22,453)</b>	<b>3,397</b>	<b>2,455</b>	<b>887,187</b>	<b>823,848</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)		–	–		–	–	–	–	–		–	–	–
General purpose income <sup>1</sup>	36,781	37,944	36,765				36,781	37,944	36,765	2,515	1,701	74,179	77,321
<b>Operating result from continuing operations</b>	<b>93,002</b>	<b>104,573</b>	<b>115,364</b>	<b>91,356</b>	<b>89,877</b>	<b>101,052</b>	<b>1,646</b>	<b>14,696</b>	<b>14,312</b>	<b>5,912</b>	<b>4,156</b>	<b>961,366</b>	<b>901,169</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 2017

#### 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 2017

#### 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 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 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		28,427	27,890
Business		4,803	4,724
<b>Total ordinary rates</b>		<b>33,230</b>	<b>32,614</b>
<b>Special rates</b>			
Environmental and infrastructure levy		3,882	3,806
<b>Total special rates</b>		<b>3,882</b>	<b>3,806</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		13,772	13,080
Stormwater management services		486	485
Section 611 charges		57	56
<b>Total annual charges</b>		<b>14,315</b>	<b>13,621</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>		<b><u>51,427</u></b>	<b><u>50,041</u></b>

Council has used 2015 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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		2,066	1,974
<b>Total user charges</b>		<b>2,066</b>	<b>1,974</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Advertising fees		412	369
Certificate fees		575	675
Compliance levy		423	327
Development application fees		842	701
Hoarding fees		199	179
Inspection fees		95	93
Principal certifying authority fees		19	27
Registration fees and permits		437	336
Section 96 amendment application fees		234	204
Subdivision application fees		9	7
<b>Total fees and charges – statutory/regulatory</b>		<b>3,245</b>	<b>2,918</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Casual park hire		98	107
Credit card usage charge		155	134
Construction zone charges		687	641
Footpath crossing administration fees		68	77
Fire safety statement lodgement fee		105	99
Filming fees		123	129
File retrieval charges		75	70
Pre DA lodgement advice service fees		39	36
Parking permits – residential		351	348
Parking meters		2,061	2,014
Preschool fees		753	806
Restoration charges		882	502
Rezoning requests		117	45
Rock anchors		54	304
Tree pruning income		90	120
Tree preservation order applications		49	47
Other		220	230
<b>Total fees and charges – other</b>		<b>5,927</b>	<b>5,709</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>11,238</b>	<b>10,601</b>



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		152	140
– Interest earned on investments (interest and coupon payment income)		1,925	2,303
– Interest (other)		11	19
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		99	40
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>2,187</u></b>	<b><u>2,502</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		152	140
General Council cash and investments		1,046	1,226
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94 and Section 94A		50	95
Other externally restricted assets		53	57
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		886	984
<b>Total interest and investment revenue recognised</b>		<b><u>2,187</u></b>	<b><u>2,502</u></b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	4,974	19,195
Rental income – investment properties	14	10,470	8,555
Rental income – other council properties		4,289	4,590
Ex gratia rates		115	100
Fines – parking		5,972	6,243
Fines – other		499	397
Legal proceedings settlements		58	2,994
Carbon tax refund		–	359
Private use contributions		408	388
Recycling income (non-domestic)		47	42
Recovered costs and reimbursements		1,753	1,510
Risk management bonuses		221	138
Other		239	207
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>29,045</u></b>	<b><u>44,718</u></b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	1,800	1,189	–	–
Financial assistance – local roads component	633	421	–	–
Pensioners' rates subsidies – general component	82	91	–	–
<b>Total general purpose</b>	<b>2,515</b>	<b>1,701</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	47	49	–	–
Community care	43	42	–	–
Drainage	–	–	44	85
Environmental works	–	–	146	56
Library	–	–	–	100
Library – per capita	108	108	–	–
Library – special grant	43	40	–	–
LIRS subsidy	196	216	–	–
Open space	–	–	629	125
Preschool	338	197	–	–
Street lighting	364	357	–	–
Sustainability	12	84	–	–
Transport (roads to recovery)	661	572	–	–
Transport (other roads and bridges funding)	153	149	444	257
NSW State Government FESL implementation	129	–	–	–
Other	33	18	7	–
<b>Total specific purpose</b>	<b>2,127</b>	<b>1,832</b>	<b>1,270</b>	<b>623</b>
<b>Total grants</b>	<b>4,642</b>	<b>3,533</b>	<b>1,270</b>	<b>623</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,094	2,182	137	65
– State funding	1,548	1,351	1,126	558
– Other funding	–	–	7	–
	<b>4,642</b>	<b>3,533</b>	<b>1,270</b>	<b>623</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 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
S 94A – fixed development consent levies	–	–	2,736	2,468
<b>Total developer contributions</b> 17	<b>–</b>	<b>–</b>	<b>2,736</b>	<b>2,634</b>
<b>Other contributions:</b>				
Contribution to works	52	52	34	18
Kiaora place – one off income support	–	400	–	–
Paddington library	236	238	–	–
Holdsworth Community Playground	–	–	54	–
Public Art Gallery Contributions	199	–	209	–
Other	3	4	–	–
<b>Total other contributions</b>	<b>490</b>	<b>694</b>	<b>297</b>	<b>18</b>
<b>Total contributions</b>	<b>490</b>	<b>694</b>	<b>3,033</b>	<b>2,652</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>	<b><u>5,132</u></b>	<b><u>4,227</u></b>	<b><u>4,303</u></b>	<b><u>3,275</u></b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	4,941	6,010
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	2,931	2,746
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(3,258)	(3,815)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(327)</b>	<b>(1,069)</b>
<b>Unexpended and held as restricted assets</b>	<b>4,614</b>	<b>4,941</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	185	231
– Developer contributions	4,430	4,710
	<b>4,614</b>	<b>4,941</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		27,531	27,059
Travel expenses		8	12
Employee leave entitlements (ELE)		4,750	5,982
Superannuation		3,446	3,359
Workers' compensation insurance		1,862	1,641
Fringe benefit tax (FBT)		302	468
Training costs (other than salaries and wages)		226	285
Other		113	9
<b>Total employee costs</b>		<b>38,238</b>	<b>38,815</b>
Less: capitalised costs		(575)	(481)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>37,663</b>	<b>38,334</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>362</b>	<b>372</b>
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		<b>392</b>	<b>390</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		3,462	4,314
<b>Total interest bearing liability costs expensed</b>		<b>3,462</b>	<b>4,314</b>
<b>(ii) Other borrowing costs</b>			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,462</b>	<b>4,314</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		4,975	4,673
– General contractor and consultancy costs		4,769	5,154
– Maintenance and security contracts		4,046	3,410
– Recycling		2,032	2,002
Auditors remuneration <sup>(1)</sup>		73	56
Infringement notice contract costs (SEINS)		937	978
Legal expenses:			
– Legal expenses: planning and development		639	653
– Legal expenses: other		928	1,507
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		52	60
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>18,451</b>	<b>18,493</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		73	–
<b>Remuneration for audit and other assurance services</b>		<b>73</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>73</b>	<b>–</b>
<b>(ii) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		–	56
<b>Remuneration for audit and other assurance services</b>		<b>–</b>	<b>56</b>
<b>Total Auditor remuneration</b>		<b>73</b>	<b>56</b>
<b>2. Operating lease payments are attributable to:</b>			
Photocopiers		52	60
		<b>52</b>	<b>60</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,239	1,208
Office equipment		499	235
Furniture and fittings		104	33
Infrastructure:			
– Buildings – non-specialised		1,475	1,458
– Buildings – specialised		834	571
– Roads		4,401	4,512
– Bridges		26	26
– Footpaths		1,382	1,443
– Stormwater drainage		597	616
– Swimming pools		177	177
– Other open space/recreational assets		1,088	1,214
Other assets			
– Library books		437	376
<b>Total depreciation and amortisation costs</b>		<b>12,259</b>	<b>11,869</b>
<b>Impairment</b>			
Infrastructure:			
– Bridges		117	–
<b>Total impairment costs</b>		<b>117</b>	<b>–</b>
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>12,376</u></b>	<b><u>11,869</u></b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		420	393
Bad and doubtful debts		58	32
Bank charges		370	368
Contributions/levies to other levels of government		–	–
– Department of planning levy		299	285
– NSW fire brigade levy		2,211	2,332
– State Emergency Services levy		105	96
Contribution to City of Sydney – Paddington library rejuvenation		–	123
Contributions to Double Bay partnership		80	96
Contribution to Woollahra public art trust		100	100
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		236	239
Councillors' expenses (incl. mayor) – other (excluding fees above)		22	28
Donations, contributions and assistance to other organisations (Section 356)		–	
– Donations, contributions and assistance Holdsworth		827	806
– Donations, contributions and assistance (other)		244	221
Electricity and heating		575	367
File archival and retrieval costs		177	191
Insurance deductibles and claims payments		315	509
Insurance premiums		1,486	1,505
Office rental		29	24
Postage		155	190
Recoverable expenses		175	210
Registration		193	166
Street lighting		1,283	1,328
Telephone and communications		164	203
Valuation fees		84	83
Waste disposal costs		5,117	5,344
Water and council rates		250	230
Other – costs awarded against council		1,663	7,463
Other – land tax		447	671
Other – early settlement agreement – O'Dea avenue depot		–	100
Other		799	663
<b>Total other expenses</b>		<b>17,925</b>	<b>24,406</b>
Less: capitalised costs		–	–
<b>TOTAL OTHER EXPENSES</b>		<b>17,925</b>	<b>24,406</b>



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		2,063	10
<b>Net gain/(loss) on disposal</b>		<b>2,063</b>	<b>10</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		4,734	1,081
Less: carrying amount of plant and equipment assets sold/written off		(2,965)	(1,110)
<b>Net gain/(loss) on disposal</b>		<b>1,769</b>	<b>(29)</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(2,601)	(3,617)
<b>Net gain/(loss) on disposal</b>		<b>(2,601)</b>	<b>(3,617)</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		77,010	72,002
Less: carrying amount of financial assets sold/redeemed/matured		(77,000)	(72,002)
<b>Net gain/(loss) on disposal</b>		<b>10</b>	<b>–</b>
<b>Capitalised Lease Incentives</b>			
Proceeds from disposal – Capitalised Lease Incentives		40	–
Less: carrying amount of Capitalised Lease Incentives assets sold/writte		(40)	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>1,241</u></b>	<b><u>(3,636)</u></b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments ‘at fair value through profit and loss’		10	–
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>10</b>	<b>–</b>

## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		385	–	1,257	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		8,814	–	11,110	–
– Short-term deposits		28	–	7,126	–
<b>Total cash and cash equivalents</b>		<b>9,227</b>	<b>–</b>	<b>19,493</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		48,000	–	41,000	–
– NCD's, FRN's (with maturities > 3 months)		14,168	–	14,029	–
– Mortgage backed securities		610	–	650	–
<b>Total investments</b>		<b>62,778</b>	<b>–</b>	<b>55,679</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>72,005</b>	<b>–</b>	<b>75,172</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

a. 'At fair value through the profit and loss'		<b>9,227</b>	<b>–</b>	<b>19,493</b>	<b>–</b>
------------------------------------------------	--	--------------	----------	---------------	----------

#### Investments

a. 'At fair value through the profit and loss'					
– 'Designated at fair value on initial recognition'	6(b-i)	14,778	–	14,679	–
b. 'Held to maturity'	6(b-ii)	48,000	–	41,000	–
<b>Investments</b>		<b>62,778</b>	<b>–</b>	<b>55,679</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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	72,005	–	75,172	–
<b>attributable to:</b>				
External restrictions (refer below)	8,561	–	8,421	–
Internal restrictions (refer below)	61,201	–	64,634	–
Unrestricted	2,243	–	2,117	–
	<b>72,005</b>	<b>–</b>	<b>75,172</b>	<b>–</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

#### Details of restrictions

##### External restrictions – included in liabilities

Nil

##### External restrictions – other

Developer contributions – general	(D)	4,710	2,786	(3,066)	4,430
Specific purpose unexpended grants	(F)	231	146	(192)	185
Domestic waste management	(G)	2,147	1,484	(607)	3,024
Stormwater management	(G)	–	476	(254)	222
Environmental and infrastructure levy		1,333	4,006	(4,638)	701
<b>External restrictions – other</b>		<b>8,421</b>	<b>8,897</b>	<b>(8,757)</b>	<b>8,561</b>
<b>Total external restrictions</b>		<b>8,421</b>	<b>8,897</b>	<b>(8,757)</b>	<b>8,561</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	270	101	(70)	301
Infrastructure replacement	–			–
Employees leave entitlement	2,585		(120)	2,465
Carry over works	2,963	1,040	(1,908)	2,096
Deposits, retentions and bonds	14,277	1,948		16,225
Open space & community facilities reserve	8,989	1,400	(2,178)	8,211
Election reserve	263	100		363
Information technology reserve	266		(16)	250
Insurance reserve	927		(190)	737
Judgement costs	1,800		(1,715)	85
Kiaora place reserve	583	2,329	(748)	2,164
Litigation proceeds	6,941		(6,941)	–
Open space projects reserve	700		(66)	634
Preschool reserve	203	111	(10)	303
Property development projects reserve	175		(56)	119
Property reserve	23,410	3,213	(927)	25,696
Oxford street placemaking reseve	250			250
Unexpended general purpose loans	4			4
Public art gallery reserve	–	199		199
Financial Assistance Grant Prepayment	–	828		828
Old Section 94	–	241		241
Other	28	5	(1)	31
<b>Total internal restrictions</b>	<b>64,634</b>	<b>11,514</b>	<b>(14,947)</b>	<b>61,201</b>
<b>TOTAL RESTRICTIONS</b>	<b>73,055</b>	<b>20,411</b>	<b>(23,704)</b>	<b>69,762</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by Roads and Maritime Services for (RMS) works on the State's classified roads.
- C** Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** 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 2017

#### Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,817	79	1,715	71
Interest and extra charges		309	13	286	12
User charges and fees		487	–	563	–
Capital debtors (being sale of assets)					
– Sale of land		712	–	839	–
– Other asset sales		2	–	81	–
Accrued revenues					
– Interest on investments		465	–	555	–
– Other income accruals		649	–	1,925	–
Amounts due from other councils		166	–	167	–
Government grants and subsidies		599	–	357	–
Leases and licences		894	–	687	–
Net GST receivable		547	–	764	–
Recovered costs		229	–	23	–
Restorations and other roadworks		166	–	140	–
Other debtors		181	–	108	–
<b>Total</b>		<b>7,223</b>	<b>92</b>	<b>8,210</b>	<b>83</b>
<b>Less: provision for impairment</b>					
User charges and fees		(70)	–	(72)	–
<b>Total provision for impairment – receivables</b>		<b>(70)</b>	<b>–</b>	<b>(72)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>7,153</b>	<b>92</b>	<b>8,138</b>	<b>83</b>
<b>Externally restricted receivables</b>					
Domestic waste management		510	–	523	–
Stormwater management		23	–	13	–
Other					
– Environmental levy and infrastructure levy		142	–	151	–
<b>Total external restrictions</b>		<b>675</b>	<b>–</b>	<b>687</b>	<b>–</b>
<b>Internally restricted receivables</b>					
– Preschool reserve		14	–	23	–
– Property reserve (sales of land)		491	–	491	–
<b>Internally restricted receivables</b>		<b>505</b>	<b>–</b>	<b>514</b>	<b>–</b>
<b>Unrestricted receivables</b>		<b>5,973</b>	<b>92</b>	<b>6,937</b>	<b>83</b>
<b>TOTAL NET RECEIVABLES</b>		<b>7,153</b>	<b>92</b>	<b>8,138</b>	<b>83</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% (2016 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 2017

#### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		254	–	252	–
<b>Total inventories at cost</b>		<b>254</b>	<b>–</b>	<b>252</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>		<b>254</b>	<b>–</b>	<b>252</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		506	–	191	–
Kiaora Place tenancy incentives		–	1,940	–	2,240
<b>TOTAL OTHER ASSETS</b>		<b>506</b>	<b>1,940</b>	<b>191</b>	<b>2,240</b>
<b>Total unrestricted assets</b>		<b>760</b>	<b>1,940</b>	<b>443</b>	<b>2,240</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>760</b>	<b>1,940</b>	<b>443</b>	<b>2,240</b>

\$484 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 2017

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

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and	Net carrying amount
Capital work in progress	2,068	–	2,068	3,371		(109)			(1,587)			3,743	–	3,743
Plant and equipment	12,597	4,021	8,576	2,290		(1,363)	(1,239)	–				12,493	4,228	8,265
Office equipment	5,553	2,991	2,562	907	95	(4)	(499)	–	52	182		6,329	3,034	3,295
Furniture and fittings	1,058	838	220	46			(104)	–		1,164		2,329	1,003	1,326
<b>Land:</b>														
– Operational land	63,641	–	63,641			(1,047)					16,259	78,854	–	78,854
– Community land	121,422	–	121,422								7,548	128,970	–	128,970
<b>Infrastructure:</b>														
– Buildings – non-specialised	59,177	33,450	25,727	242	38	(454)	(1,475)	–			21,966	72,351	26,306	46,045
– Buildings – specialised	29,438	15,693	13,745	679	521	(13)	(834)	–	51	(1,417)	11,266	36,104	12,107	23,997
– Roads	462,844	141,707	321,137	2,475	390	(1,568)	(4,401)	–	1,228			463,190	143,930	319,260
– Bridges	2,570	454	2,116				(26)	(117)				2,570	597	1,973
– Footpaths	72,710	36,226	36,484	2,139	829	(464)	(1,382)	–	227			74,180	36,347	37,833
– Stormwater drainage	86,887	46,051	40,836	446	697	(87)	(597)	–	30			87,785	46,460	41,325
– Swimming pools	4,054	1,260	2,794	4			(177)	–				4,059	1,437	2,622
– Other open space/recreational assets	32,617	9,117	23,500	2,884	871	(373)	(1,088)	–		71		35,953	10,087	25,866
<b>Other assets:</b>														
– Library books	5,583	4,138	1,445	496		(84)	(437)	–				5,431	4,012	1,419
– Public Art Gallery Art Collection	–	–	–	209			–	–				209	–	209
– Council Art Collection	–	–	–	394			–	–				394	–	394
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>962,219</b>	<b>295,946</b>	<b>666,273</b>	<b>16,583</b>	<b>3,442</b>	<b>(5,566)</b>	<b>(12,259)</b>	<b>(117)</b>	<b>(0)</b>	<b>–</b>	<b>57,040</b>	<b>1,014,944</b>	<b>289,548</b>	<b>725,396</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.

Community Land is valued using the unimproved capital value of land supplied by the Valuer General. The 7.5m revaluation uses 1 July 2016 values.

## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Class of asset</b>						
<b>Domestic waste management</b>						
Plant and equipment	5,006	2,260	<b>2,746</b>	4,944	2,419	<b>2,525</b>
<b>Total DWM</b>	<b>5,006</b>	<b>2,260</b>	<b>2,746</b>	<b>4,944</b>	<b>2,419</b>	<b>2,525</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>5,006</b>	<b>2,260</b>	<b>2,746</b>	<b>4,944</b>	<b>2,419</b>	<b>2,525</b>

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(i) Impairment losses recognised in the Income Statement:</b>			
Cutler Footway Paddington closed to pedestrians		(117)	–
<b>Total impairment losses</b>		<b>(117)</b>	<b>–</b>
<b><u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u></b>	4(d)	<b><u>(117)</u></b>	<b><u>–</u></b>



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		3,407	–	11,337	–
Goods and services – capital expenditure		1,850	–	3,939	–
Accrued expenses:					
– Borrowings		65	–	66	–
– Salaries and wages		623	–	487	–
Security bonds, deposits and retentions		20,400	–	18,452	–
Other		267	–	317	–
<b>Total payables</b>		<b>26,612</b>	<b>–</b>	<b>34,598</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		1,264	–	1,498	–
<b>Total income received in advance</b>		<b>1,264</b>	<b>–</b>	<b>1,498</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		3,351	66,983	3,175	70,334
<b>Total borrowings</b>		<b>3,351</b>	<b>66,983</b>	<b>3,175</b>	<b>70,334</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		3,414	–	3,296	–
Sick leave		687	–	838	–
Long service leave		7,500	222	7,948	224
Gratuities		–	–	55	–
<b>Total provisions</b>		<b>11,601</b>	<b>222</b>	<b>12,137</b>	<b>224</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>42,828</u></b>	<b><u>67,205</u></b>	<b><u>51,408</u></b>	<b><u>70,558</u></b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Domestic waste management		1,136	–	1,158	–
Liabilities relating to externally restricted assets		1,136	–	1,158	–
<b>Internally restricted assets</b>					
Property reserve – Kiaora Place		263	–	2,867	–
Litigation proceeds reserve – costs awarded		–	–	6,941	–
Liabilities relating to internally restricted assets		263	–	9,808	–
<b>Total liabilities relating to restricted assets</b>		<b>1,399</b>	<b>–</b>	<b>10,966</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>41,429</b>	<b>67,205</b>	<b>40,442</b>	<b>70,558</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b><u>42,828</u></b>	<b><u>67,205</u></b>	<b><u>51,408</u></b>	<b><u>70,558</u></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 2017

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

\$ '000	Actual 2017	Actual 2016
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	7,904	8,488
Payables – security bonds, deposits and retentions	15,547	13,826
	<b>23,451</b>	<b>22,314</b>

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

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	3,296	2,332	(2,214)			3,414
Sick leave	838	(57)	(94)			687
Long service leave	8,172	544	(994)			7,722
Gratuities	55	(1)	(54)			–
<b>TOTAL</b>	<b>12,361</b>	<b>2,818</b>	<b>(3,356)</b>	–	–	<b>11,823</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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	9,227	19,493
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>9,227</b>	<b>19,493</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>14,696</b>	<b>14,312</b>
Adjust for non-cash items:			
Depreciation and amortisation		12,259	11,869
Net losses/(gains) on disposal of assets		(1,241)	3,636
Non-cash capital grants and contributions		(209)	–
Impairment losses recognition – I,PP&E		117	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(99)	(40)
– Investment properties		(4,974)	(19,195)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		772	679
Increase/(decrease) in provision for doubtful debts		(2)	(49)
Decrease/(increase) in inventories		(2)	60
Decrease/(increase) in other assets		(15)	(2,036)
Increase/(decrease) in payables		(7,930)	6,340
Increase/(decrease) in accrued interest payable		(1)	23
Increase/(decrease) in other accrued expenses payable		136	(196)
Increase/(decrease) in other liabilities		1,664	2,266
Increase/(decrease) in employee leave entitlements		(538)	1,361
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,634</b>	<b>19,030</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Public Art Gallery contributed artwork		209	–
<b>Total non-cash investing and financing activities</b>		<b>209</b>	<b>–</b>
<b>(d) Financing arrangements</b>			
Nil			
<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	3
<b>Total financing arrangements utilised</b>		<b>3</b>	<b>3</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 2017

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
<b>Property, plant and equipment</b>			
Buildings		418	75
Plant and equipment		64	50
Infrastructure		3,512	1,765
Streetscapes		342	91
Traffic		–	264
Open space works		725	686
Environmental works		113	51
IT		32	670
Kiaora Place		–	2,919
<b>Total commitments</b>		<b>5,206</b>	<b>6,571</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		5,206	6,571
<b>Total payable</b>		<b>5,206</b>	<b>6,571</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		1,042	967
Future grants and contributions		989	318
Sect 64 and 94 funds/reserves		274	489
Unexpended grants		–	114
Externally restricted reserves		1,539	1,030
Internally restricted reserves		1,331	2,757
Unexpended loans		–	719
Sale of plant and equipment		30	31
Recovered Costs		–	146
<b>Total sources of funding</b>		<b>5,206</b>	<b>6,571</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<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		39	70
Later than one year and not later than 5 years		35	74
Later than 5 years		—	—
<b>Total non-cancellable operating lease commitments</b>		<b>74</b>	<b>144</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 finance and 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 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016	2015	Benchmark
<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>4,079</u>	<b>4.34%</b>	-4.91%	7.69%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>93,956</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>88,824</u>	<b>90.40%</b>	92.20%	92.54%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>98,259</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>70,682</u>	<b>3.87x</b>	2.67x	4.37x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>18,241</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>19,917</u>	<b>3.00x</b>	0.18x	3.56x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>6,637</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>2,218</u>	<b>4.13%</b>	3.99%	3.94%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	<u>53,663</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>57,227</u>	<b>6.97 mths</b>	4.7 mths	14.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>8,215</u>				

#### Notes

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

(2) Refer Notes 6-8 inclusive.

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

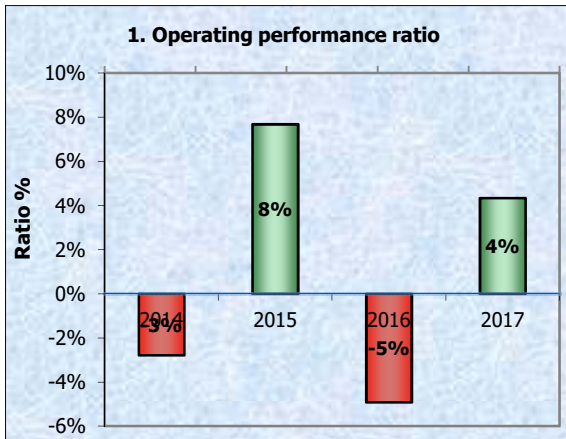
(3) Refer to Note 10(a).

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

# Woollahra Municipal Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



Benchmark: ——— Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of operating performance ratio**

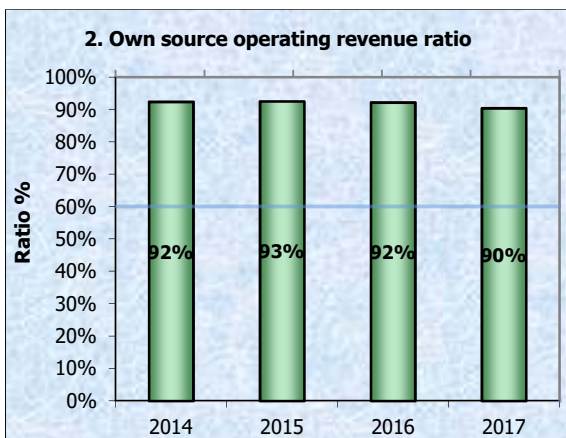
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2016/17 result**

**2016/17 ratio 4.34%**

The ratio returns to strongly positive, and above benchmark, noting the 2016 ratio included a substantial one-off expenditure.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of own source operating revenue ratio**

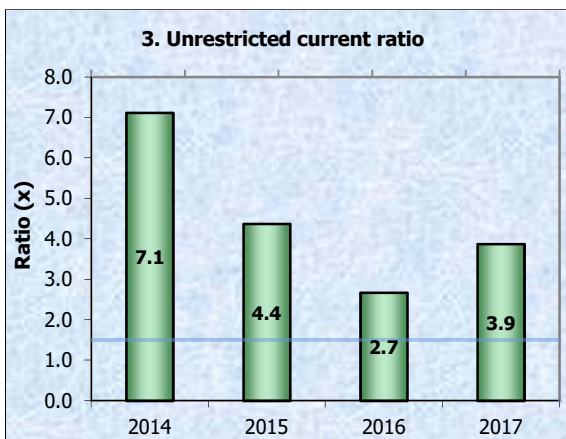
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2016/17 result**

**2016/17 ratio 90.40%**

The ratio remains well in excess of the 60% benchmark.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Minimum >=1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**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 2016/17 result**

**2016/17 ratio 3.87x**

Council's liquidity remains strong and well above the 1.5% benchmark.

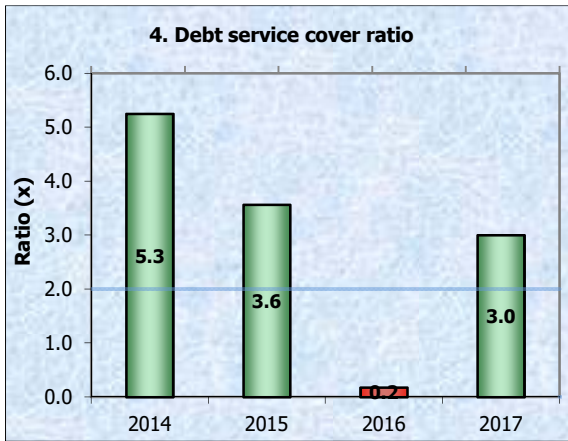
Ratio achieves benchmark  
 Ratio is outside benchmark



# Woollahra Municipal Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



Benchmark: ——— Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of debt service cover ratio**

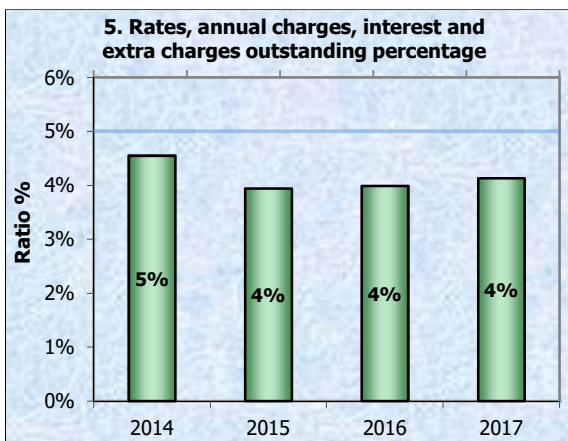
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

**Commentary on 2016/17 result**

**2016/17 ratio 3.00x**

The ratio returns to above benchmark, noting the one-off below benchmark year in 2016 included repayment of a \$58.25m loan facility associated with Kiaora Place

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: ——— Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

**Purpose of rates and annual charges outstanding ratio**

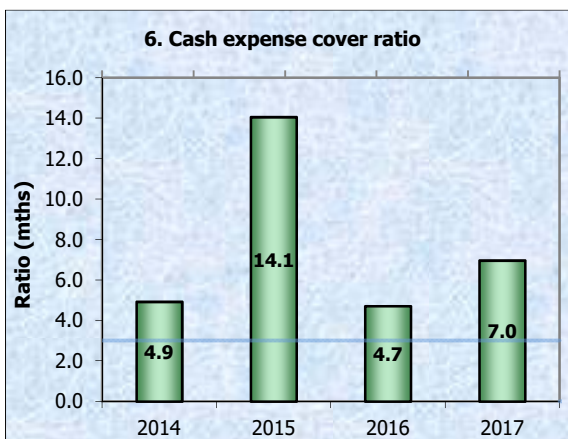
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

**Commentary on 2016/17 result**

**2016/17 ratio 4.13%**

The ratio increased slightly for the second year running as a consequence of deferring recovery action during Council's merger proposal period. It is anticipated the ratio will fall below 4% at 30 June 2018. Notwithstanding the increase, the ration remains comfortably below the 5% benchmark.

Ratio is within Benchmark  
 Ratio is outside Benchmark



Benchmark: ——— Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

**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 2016/17 result**

**2016/17 ratio 6.97 mths**

The ratio remains well in excess of the 3 month benchmark.

Ratio achieves benchmark  
 Ratio is outside benchmark

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
<u>Investment properties on hand</u>		<u>154,020</u>	<u>148,820</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		148,820	90,110
– Acquisitions		226	39,273
– Net gain/(loss) from fair value adjustments		4,974	19,195
– Transfers from/(to) owner occupied (Note 9)		–	242
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>154,020</u></b>	<b><u>148,820</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 2017 revaluations were based on independent assessments made by 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 – Council as lessor			
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		8,551	8,467
Later than 1 year but less than 5 years		33,170	33,550
Later than 5 years		102,471	109,608
<b>Total minimum lease payments receivable</b>		<b><u>144,192</u></b>	<b><u>151,625</u></b>
 (e) Investment property income and expenditure – summary			
<b>Rental income from investment properties:</b>			
– Minimum lease payments		10,470	8,555
– Contingent rentals		–	–
– Other income		1,620	1,039
<b>Direct operating expenses on investment properties:</b>			
– that generated rental income		(7,048)	(7,677)
– that did not generate rental income		–	–
<b>Net revenue contribution from investment properties</b>		<b><u>5,043</u></b>	<b><u>1,917</u></b>
plus:			
<b>Fair value movement for year</b>		<b><u>4,974</u></b>	<b><u>19,195</u></b>
<b>Total income attributable to investment properties</b>		<b><u>10,017</u></b>	<b><u>21,112</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 2017

#### 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	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	9,227	19,493	9,227	19,493
Investments				
– 'Designated at fair value on initial recognition'	14,778	14,679	14,778	14,679
– 'Held to maturity'	48,000	41,000	48,000	41,000
Receivables	7,245	8,221	7,245	8,221
<b>Total financial assets</b>	<b>79,250</b>	<b>83,393</b>	<b>79,250</b>	<b>83,393</b>
<b>Financial liabilities</b>				
Payables	26,612	34,598	26,612	34,598
Loans/advances	70,334	73,509	70,334	73,509
<b>Total financial liabilities</b>	<b>96,946</b>	<b>108,107</b>	<b>96,946</b>	<b>108,107</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 2017

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

\$ '000

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

Council's finance area manages the cash and Investments portfolio 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 it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 10% movement in market values	1,517	1,517	(1,517)	(1,517)
Possible impact of a 1% movement in interest rates	725	725	(725)	(725)
<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)

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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:

	2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	87%	0%	86%
Overdue	100%	13%	100%	14%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	–	4,689	–	5,618
< 1 year overdue	0 – 30 days overdue	1,158	259	1,176	401
1 – 2 years overdue	31 – 60 days overdue	346	20	240	68
2 – 5 years overdue	61 – 90 days overdue	253	66	190	106
> 5 years overdue	> 91 days overdue	139	386	180	314
		<b>1,896</b>	<b>5,419</b>	<b>1,786</b>	<b>6,507</b>

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

	2017	2016
Balance at the beginning of the year	72	121
+ new provisions recognised during the year	58	32
– amounts already provided for and written off this year	(60)	(81)
<b>Balance at the end of the year</b>	<b>70</b>	<b>72</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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>2017</b>									
Bank overdraft	–							–	–
Trade/other payables	20,400	6,212						26,612	26,612
Loans and advances		6,634	5,667	5,670	5,667	5,655	73,634	102,927	70,334
Lease liabilities								–	–
<b>Total financial liabilities</b>	<b>20,400</b>	<b>12,846</b>	<b>5,667</b>	<b>5,670</b>	<b>5,667</b>	<b>5,655</b>	<b>73,634</b>	<b>129,539</b>	<b>96,946</b>
<b>2016</b>									
Bank overdraft	–	–	–	–	–	–	–	–	–
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
Lease liabilities	–	–	–	–	–	–	–	–	–
<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>

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	26,612	0.00%	34,598	0.00%
Loans and advances – fixed interest rate	70,334	5.00%	73,509	5.00%
	<u>96,946</u>		<u>108,107</u>	

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 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	2017 Budget	2017 Actual	2017 Variance*	-----	-----
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>51,388</b>	<b>51,427</b>	<b>39</b>	<b>0%</b>	<b>F</b>
There are no individual material variances to report.					
<b>User charges and fees</b>	<b>10,660</b>	<b>11,238</b>	<b>578</b>	<b>5%</b>	<b>F</b>
While not a material variance overall, there are a number of individual material variance to report. The following sources of income exceeded their original forecast: Restoration Charges \$382k, Crane Permits \$156k, Compliance Levy \$143k, Work Zones \$119k, DA Fees \$106k, Credit Card Fees \$33k, Advertising Fees \$31k, Trade Waste Charges \$29k and Hoarding Fees \$24k. Income from the following sources was less than their original forecast: Kindergarten Fees \$103k, s.149 Certificates \$51k, Rezoning Applications \$43k, Parking Meter Charges \$39k, Outstanding Orders & Notices Certificates \$38k, Rock Anchors \$35k, Swimming Pool Act Applications \$34k, Construction Management Plan Fees \$22k, Building Certificates \$20k, s.603 Certificates \$19k, Filming Fees \$16k, Construction Certificates \$14k and TPO Applications \$12k The net total of these variances is \$577k.					
<b>Interest and investment revenue</b>	<b>1,906</b>	<b>2,187</b>	<b>281</b>	<b>15%</b>	<b>F</b>
Interest earned during 2016/17 exceed the original forecast by \$181k. In addition, fair value adjustments totalling \$99k were recognised.					

# Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 16. Material budget variations

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES (continued)</b>					
<b>Other revenues</b>	<b>22,648</b>	<b>29,045</b>	<b>6,397</b>	<b>28%</b>	<b>F</b>
By far the largest variance in Other Revenues relates to the fair value adjustment of Council's investment properties, \$4,974k, which was not anticipated in the budget.					
Additionally, the following items sources of income exceeded their original forecast:					
Car Park income \$609k, Recovered Costs \$447k, Leases & Licenses \$121k, Risk Management Bonuses \$83k, Lehman Brothers Distribution \$58k, Interest on Asset Sales \$39k, Property Insurance Distribution \$26k, Visitor Parking Permits \$23k, Claims Experience Bonuses \$13k.					
The total of these variances is \$6,393k.					
<b>Operating grants and contributions</b>	<b>3,161</b>	<b>5,132</b>	<b>1,971</b>	<b>62%</b>	<b>F</b>
Council's Roads to Recovery Grant is budgeted in Capital, but disclosed in Operating, a variance of \$661k.					
Additionally, the Federal Government prepaid half of Council's 2017/18 Financial Assistance Grant, \$828k.					
The only other material variances were the one-off Public Art Gallery contribution \$199k, Preschool Subsidy \$182k and grants related to the implementation of the now deferred Fire & Emergency Services Levy \$129k.					
The total of these variances is \$1,999k.					
<b>Capital grants and contributions</b>	<b>3,240</b>	<b>4,303</b>	<b>1,063</b>	<b>33%</b>	<b>F</b>
Council's Roads to Recovery Grant is budgeted in Capital, but disclosed in Operating, a variance of (\$661k).					
The largest variance relates to s.94 developer contributions, which exceeded the original forecast by \$936k.					
Capital grants and contributions exceeded original forecasts in the following areas:					
Infrastructure Renewal \$461k, Open Space \$109k, Holdsworth Community Centre contribution \$54k, Preschool contribution \$15k and other capital contributions \$20k. The one-off Public Art Gallery contribution provided \$209k.					
Capital grants were less than originally forecast in relation to Flood Studies \$46k and Traffic Management \$35k.					
The net total of these variances is \$1,062k.					
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>1,241</b>	<b>1,241</b>	<b>0%</b>	<b>F</b>
Refer to Net Loss from disposal of assets below.					



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>38,517</b>	<b>37,663</b>	<b>854</b>	<b>2%</b>	<b>F</b>
<p>The largest single variance in this category relates to ELE provisioning where a forecast increase in ELE did not eventuate, instead reducing. The net variance to the original forecast was \$1,132k.</p> <p>Additionally, expenditure was less than originally forecast in the following areas: Salaries &amp; Wages \$254k and Superannuation \$106k.</p> <p>Expenditure exceeded original forecasts in the following areas: Workers' Compensation \$211k, Redundancies \$69k, Fringe Benefits Tax \$62k, Gratuities \$54k and Pre-employment Medicals \$20k.</p> <p>Also, Training Costs disclosed here are budgeted in Other Costs resulting in a variance of (\$224k). The net total of these variances is \$852k.</p>					
<b>Borrowing costs</b>	<b>3,462</b>	<b>3,462</b>	<b>(0)</b>	<b>(0%)</b>	<b>U</b>
<p>Borrowings costs, or interest repaid on loans, was in line with budget forecasts.</p>					
<b>Materials and contracts</b>	<b>16,587</b>	<b>18,451</b>	<b>(1,864)</b>	<b>(11%)</b>	<b>U</b>
<p>Each year there is some expenditure in the Capital Budget that ultimately does not meet capitalisation guidelines and is expensed in Materials and Contracts. For 2016/17 this amounted to (\$340k).</p> <p>Expenditure was less than originally forecast in the following areas: Lifecycle Maintenance \$154k, Fuel \$137k, Materials, Goods &amp; Services \$103k, Printing &amp; Stationery \$64k, Contract Plant Hire \$61k, Cleaning Contract \$55k and Infringement Processing Charges \$25k.</p> <p>Expenditure exceeded original forecasts in the following areas: Legal Expenses \$550k, General Consultants \$522k, General Contracts \$432k, Temporary Staff \$288k, Vehicle Parts &amp; Repairs \$231k, Recurrent Contracts \$71k and Furniture &amp; Fittings \$30k.</p> <p>The net total of these variances is (\$1,865).</p>					
<b>Depreciation and amortisation</b>	<b>12,658</b>	<b>12,259</b>	<b>399</b>	<b>3%</b>	<b>F</b>
<p>Generous budget provisions, following its recent revaluation, saw Infrastructure depreciation come in \$929k less than originally forecast. Other Assets depreciation was also \$168k less than forecast.</p> <p>Depreciation of the following asset classes exceeded original forecasts: Buildings \$280k, Office Equipment \$241k, Library Books \$73k, Furniture &amp; Fittings \$67k and Plant &amp; Vehicles \$42k.</p> <p>The net total of these variances is \$400k.</p>					

# Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
<b>EXPENSES (continued)</b>				
<b>Impairment expenses</b>	-	117	(117)	0% <b>U</b>
The Cutler Footway, Paddington, has been closed to pedestrians and Council has recognised its impairment which was not anticipated in the original budget.				
<b>Other expenses</b>	18,519	17,925	594	3% <b>F</b>
This is a broad category of expenditure and there were numerous variances that arose over the course of the year. Expenditure was less than originally forecast in the following areas: Tippings Charges \$661k, Election Expenses \$363k, Streetlighting Charges \$252k, Fire Brigades Contribution \$238k, Taxes \$146k, Contributions to Other Organisations \$137k, Learning and Development \$113k, Self Funded Losses (net) \$90k, Recoverable Expenses \$47k, Electricity Charges \$44k, Insurance Premiums \$44k, and Councillors Fees \$38k. Expenditure exceeded original forecasts in the following areas: Costs & Fines \$1,663k, Registration \$37k, Doubtful Debts \$36k, Advertising \$36k, and Interest Paid on Deposits Refunded \$31k. Also, Training Costs budgeted here are disclosed in Staff Benefits resulting in a variance of \$224k. The net total of these variances is \$594k.				
<b>Net losses from disposal of assets</b>	1,614	-	1,614	100% <b>F</b>
A budgeted \$1,614k loss on disposal of assets ended up and actual \$1,241k gain, a variance of \$2,855k. Proceeds from the sale of road reserve, not anticipated in the original budget, totalled \$2,063k in 2016/17. Also not anticipated in the original budget was the compulsory acquisition of part of Council's Alexandria Depot, resulting in a \$2,072k gain on disposal. Another favourable variance is a reduction in net losses on disposal of plant and vehicles totalling \$89k. The Cost of Assets Sold exceeded original forecasts for Infrastructure Assets \$1,340k and Library Books \$29k. The net total of these variances is \$2,855k.				

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----
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#### Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>11,982</b>	<b>14,634</b>	<b>2,652</b>	<b>22.1%</b>	<b>F</b>
---------------------------------------------	---------------	---------------	--------------	--------------	----------

The variances in revenues and expenses outlined above, together with movements in payables and receivables, give rise to variances in Council's forecast cashflows.

It should also be noted that it is difficult to forecast the movement in bonds, deposits & retentions and Council does not include any movement in its budget. The increase in bonds, deposits & retentions in 2016/16 was \$1,948k which also contributes to this variance.

<b>Cash flows from investing activities</b>	<b>(16,663)</b>	<b>(21,724)</b>	<b>(5,061)</b>	<b>30.4%</b>	<b>U</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 terms of securities held at reporting date. For 2016/17 the net purchase of Investments (cash outflow) was (\$6,990).

Further cash outflows arose from a reduction in capital creditors year-on-year of (\$2,089), mainly associated with the timing of payments for Woollahra Library, and a net increase in budgeted expenditure of (\$1,442) provided during the year through quarterly budget reviews.

Offsetting these outflows were the proceeds received from the sale of a portion of unmade roadway, \$2,063k and compensation received for the compulsory acquisition of part of Council's AIF Depot in Alexandria, \$3,572k not foreseen in the original budget.

The net outflow from these variations is (\$4,886).

<b>Cash flows from financing activities</b>	<b>(3,175)</b>	<b>(3,175)</b>	<b>(0)</b>	<b>0.0%</b>	<b>U</b>
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The repayment of principle on Council's loans was in line with budget forecasts.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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	1,613	–	–	15	(381)	–	1,247	–
Civic improvements	117	–	–	1	–	–	118	–
Recreation	167	–	–	1	(137)	–	31	–
Plan preparation and administration	46	–	–	0	–	–	46	–
<b>S94 contributions – under a plan</b>	<b>1,943</b>	<b>–</b>	<b>–</b>	<b>18</b>	<b>(518)</b>	<b>–</b>	<b>1,442</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>2,721</b>	<b>2,736</b>	<b>–</b>	<b>32</b>	<b>(2,501)</b>	<b>–</b>	<b>2,987</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>4,664</b>	<b>2,736</b>	<b>–</b>	<b>50</b>	<b>(3,019)</b>	<b>–</b>	<b>4,430</b>	<b>–</b>
S94 not under plans	46	–	–	0	(46)	–	–	–
<b>Total contributions</b>	<b>4,710</b>	<b>2,736</b>	<b>–</b>	<b>50</b>	<b>(3,066)</b>	<b>–</b>	<b>4,430</b>	<b>–</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

#### 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	378			3	(381)		-	
<b>Total</b>	<b>378</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>(381)</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### 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	1,235			12			1,247	
Civic improvements	117			1			118	
Recreation	167			1	(137)		31	
Plan preparation and administration	46			0			46	
Other	-						-	
<b>Total</b>	<b>1,565</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>(137)</b>	<b>-</b>	<b>1,442</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	2,721	2,736		32	(2,501)		2,987	
<b>Total</b>	<b>2,721</b>	<b>2,736</b>	<b>-</b>	<b>32</b>	<b>(2,501)</b>	<b>-</b>	<b>2,987</b>	<b>-</b>

## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

#### 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					
<b>Total</b>	46	-	-	0	(46)	-	-	-

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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 2017

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

### 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) Council v. Minister for Local Govt

Council's legal action against the State Government's proposal to merge Woollahra with Randwick and Waverley was dismissed in the Land & Environment Court (LEC) on 20 July 2016 with Council ordered to pay costs (*Woollahra Municipal Council v Minister for Local Government [2016] NSWLEC 86*).

Council's appeal against the LEC decision was subsequently dismissed by the NSW Court of Appeal on 22 December 2016 with Council ordered to pay costs (*Woollahra Municipal Council v Minister for Local Government [2016] NSWCA 380*).

The High Court of Australia granted Council Special Leave to Appeal the decision of the Court of Appeal at a hearing held in Canberra on 12 May 2017. It was expected the High Court would hear Council's appeal in October 2017.

On 21 August 2017 the NSW Premier announced that the State Government had abandoned all remaining council merger proposals, including the proposed merger of Woollahra, Randwick and Waverley Councils.

Consequently, the High Court appeal hearing in respect of the proposed merger is no longer required. How the matter is now concluded in the High Court however, including orders in respect of costs, remains unclear.

As the matter currently stands, with adverse judgements against Council in the LEC and the Court of Appeal, cost orders in respect of both Courts are in the State Government's favour. Those orders would



## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

have been reversed had Council won on appeal in the High Court. The quantum of the State Government's costs is not known.

At the time of preparing this disclosure, discussions between the High Court Registrar, the Crown Solicitor's Office and Council's legal team were continuing in relation to how best to conclude the High Court proceedings and the terms of any court orders necessary.

#### **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 2017, 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 2017

#### Note 19. Interests in other entities

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

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

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

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##### **Controlled entities (subsidiaries)**

**Note 19(a)**

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

##### **Joint ventures and associates**

**Note 19(b)**

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

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

##### **Joint operations**

**Note 19(c)**

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

##### **Unconsolidated structured entities**

**Note 19(d)**

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

##### **Subsidiaries, joint arrangements and associates not recognised**

**Note 19(e)**

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#### **Accounting recognition:**

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

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## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

##### (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 Premeure Insurance Pool, but holds an immaterial interest in Joint Venture.

##### (c) Joint operations

###### (a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2017	2016	2017	2016
Alexandra Integrated Facility (AIF) Collaboration with Waverley Council	Running of the shared AIF Depot	AIF	41%	41%	50%	50%

###### (b) Council assets employed in the joint operations

	2017	2016
<b>Council's share of assets jointly owned with other partners</b>		
Property, plant and equipment	13,465	10,905
<b>Total net assets employed – Council and jointly owned</b>	<b>13,465</b>	<b>10,905</b>

###### (c) Share of joint operations expenditure commitments

	2017	2016
<b>Operating expenditure commitments</b>		
Payable not later than 1 year	427	305
<b>Total operating expenditure commitments</b>	<b>427</b>	<b>305</b>

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

##### (d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

##### **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. In response to a request for funding for the 2016/17 financial year the Council agreed to provide \$80,000 of funding to assist the Chamber in carrying out the 2016 – 2017 Actions identified in the Double Bay Chamber of Commerce Business Plan 2015-2018. Council also agreed to provide a line of credit up to \$35,000 for the 2016 Double Bay Street Festival subject to the money advanced being paid back to Council in full by 31 December 2016.

	2017	2016
Losses (or expenses) incurred by Council relating to the Structured Entity	80	96

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

Nil

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

The Double Bay Chamber of Commerce was provided with a line of credit of \$35,000 for the 2017 Double Bay Street Fair, to be repaid by 31 December 2017. At this stage the Chamber has not made a request for funding for 2017/2018 and no funding for 2017/2018 has been approved.

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

None.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		521,182	506,869
a. Correction of prior period errors	20 (c)	–	–
b. Changes in accounting policies (prior period effects)	20 (d)	–	–
c. Other comprehensive income (excl. direct to reserves transactions)		–	–
d. Net operating result for the year		14,696	14,312
e. Other changes - initial recognition of art collection <sup>1</sup>		394	–
<b>Balance at end of the reporting period</b>		<b>536,272</b>	<b>521,182</b>

1. In conjunction with recognising the Public Art Gallery artwork collection transferred to Council from the Woollahra Public Art Trust, Council has also recognised its own artwork collection for the first time. The valuation as at 30 June 2017 has been prepared by McWilliam & Associates, Fine Art Valuers.

#### (b) Revaluation reserves

##### (i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	315,062	258,022
<b>Total</b>	<b>315,062</b>	<b>258,022</b>

##### (ii) Reconciliation of movements in reserves:

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

– Opening balance	258,022	231,071
– Revaluations for the year	57,040	26,951
<b>– Balance at end of year</b>	<b>315,062</b>	<b>258,022</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.

#### (e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

Council utilises only a general fund for its operations.

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

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

#### Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) 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 31/10/17.

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 2017.

##### **(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Refer to Note 18 Other Liabilities (iv) in relation to Council v Minister for Local Government .

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

Council has no intangible assets.

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

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 2017

#### 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:**

2017	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'	–	–	14,778	14,778
<b>Total financial assets</b>	<b>–</b>	<b>–</b>	<b>14,778</b>	<b>14,778</b>
<b>Investment properties</b>				
Kiaora place	–	–	149,100	149,100
Car parks	–	–	4,920	4,920
<b>Total investment properties</b>	<b>–</b>	<b>–</b>	<b>154,020</b>	<b>154,020</b>
<b>Infrastructure, property, plant and equipment</b>				
Plant and equipment	–	–	8,265	8,265
Office equipment	–	–	3,295	3,295
Furniture and fittings	–	–	1,326	1,326
Operational land	–	–	78,854	78,854
Community land	–	–	128,970	128,970
Buildings – non-specialised	–	–	46,045	46,045
Buildings – specialised	–	–	23,997	23,997
Roads	–	–	323,003	323,003
Bridges	–	–	1,973	1,973
Footpaths	–	–	37,833	37,833
Stormwater drainage	–	–	41,325	41,325
Swimming pools	–	–	2,622	2,622
Other open space/recreational assets	–	–	25,866	25,866
Other Assets - Library books & art collections	–	–	2,022	2,022
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>725,396</b>	<b>725,396</b>

## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### 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)

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>

#### (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 2017

#### 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 61c.

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 2017

#### 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 2017

#### 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 2017

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

---

##### 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 2017

#### 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 2017

#### 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 2017

### 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 – 1/7/15</b>	641	90,110	7,832	1,456	100,039
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>

Transfers from/(to) another asset class	–	–	–	234	234
Purchases (GBV)	2,000	226	2,290	1,002	5,518
Disposals (WDV)	(2,000)	–	(1,363)	(4)	(3,367)
Depreciation and impairment	–	–	(1,239)	(499)	(1,738)
FV gains – other comprehensive income	100	4,974	–	–	5,074
<b>Closing balance – 30/6/17</b>	<b>14,778</b>	<b>154,020</b>	<b>8,265</b>	<b>3,295</b>	<b>180,358</b>

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

YE 15/16	38	19,195	–	–	19,233
YE 16/17	100	4,974	–	–	5,074

	Furniture and fittings	Operational land	Community land	Buildings non specialised	Total
<b>Opening balance – 1/7/15</b>	143	63,341	94,771	26,301	184,556
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>
Transfers from/(to) another asset class	1,164	–	–	–	1,164
Purchases (GBV)	46	–	–	280	326
Disposals (WDV)	–	(1,047)	–	(454)	(1,501)
Depreciation and impairment	(104)	–	–	(1,475)	(1,579)
FV gains – other comprehensive income	–	16,259	7,548	21,966	45,773
<b>Closing balance – 30/6/17</b>	<b>1,326</b>	<b>78,854</b>	<b>128,970</b>	<b>46,045</b>	<b>255,194</b>

# Woollahra Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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 – 1/7/15</b>	7,471	326,125	2,142	36,474	372,212
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>
Transfers from/(to) another asset class	(1,366)	(359)	–	227	(1,498)
Purchases (GBV)	1,200	6,236	–	2,968	10,404
Disposals (WDV)	(13)	(1,677)	–	(464)	(2,155)
Depreciation and impairment	(834)	(4,401)	(143)	(1,382)	(6,761)
FV gains – other comprehensive income	11,266	–	–	–	11,266
<b>Closing balance – 30/6/17</b>	<b>23,997</b>	<b>323,003</b>	<b>1,973</b>	<b>37,833</b>	<b>386,806</b>
	Storm-water drainage	Swimming pools	Other open space assets	Library books & art	Total
<b>Opening balance – 1/7/15</b>	40,730	2,971	22,572	1,443	67,716
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>
Transfers from/(to) another asset class	30	–	71	–	101
Purchases (GBV)	1,143	4	3,756	1,099	6,003
Disposals (WDV)	(87)	–	(373)	(84)	(544)
Depreciation and impairment	(597)	(177)	(1,088)	(437)	(2,299)
<b>Closing balance – 30/6/17</b>	<b>41,325</b>	<b>2,622</b>	<b>25,866</b>	<b>2,022</b>	<b>71,835</b>



## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### 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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Fair Value through the Profit & Loss	14,778	Issuer and independent valuations	Unit Price

##### Investment properties

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Investment Properties	154,020	Independent valuation	<ul style="list-style-type: none"> <li>Net rental value</li> <li>Rental Yield</li> </ul>

##### I,PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Plant and Equipment, Office Equipment, Furniture and Fittings	12,886	Cost used to approximate fair value.	<ul style="list-style-type: none"> <li>Asset Cost</li> <li>Useful Life</li> </ul>
Operational Land	78,854	Independent valuation.	<ul style="list-style-type: none"> <li>Rate per m<sup>2</sup></li> </ul>
Community Land	128,970	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	70,042	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 2017

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Roads, Bridges & Footpaths	362,809	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	41,325	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	2,622	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	25,866	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	1,420	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>
Art Collections	603	Independent valuation	<ul style="list-style-type: none"> <li>• Market Value</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 2017

#### Note 28. Related party disclosures

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\$ '000

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##### a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. Council has identified Councillors, the General Manager and Directors as KMP.

The aggregate amount of KMP compensation included in the Income Statement is:

	<b>Actual 2017</b>
<b>Compensation:</b>	
Short-term benefits	1,661
Post-employment benefits	93
Other long-term benefits	57
Termination benefits	–
<b>Total</b>	<b><u>1,811</u></b>

##### b. Other transactions with KMP and their related parties

Nil

## Woollahra Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 29. 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

**CONTRACT AUDITORS**

Audit Office of NSW  
Level 15, 1 Margaret Street  
Sydney NSW 2000

**Elected members**

**MAYOR**

Toni Zeltzer

**COUNCILLORS**

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

**Other information**

**ABN:** 32 218 483 245



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Woollahra Municipal Council**

To the Councillors of the Woollahra Municipal Council

## **Opinion**

I have audited the accompanying financial statements of Woollahra Municipal Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

## **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 16 September 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

Cr Peter Cavanagh  
Mayor  
Woollahra Municipal Council  
PO Box 211  
SPIT JUNCTION NSW 2088

Contact: Weini Liao  
Phone no: 9275 7432  
Our ref: D1727761/1812

31 October 2017

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Woollahra Municipal Council**

I have audited the general purpose financial statements of Woollahra Municipal Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

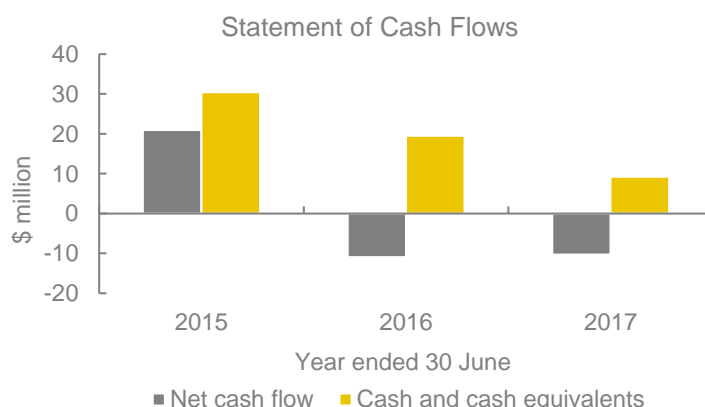
	2017 \$m	2016 \$m	Variance %
<b>Rates and annual charges revenue</b>	51.4	50.0	2.8 ↑
<b>Grants and contributions revenue</b>	9.4	7.5	25.8 ↑
<b>Operating result for the year</b>	14.7	14.3	2.8 ↑
<b>Net operating result before capital amounts</b>	10.4	11.0	(5.8) ↓



- The operating result for the year is a surplus of \$14.7 million (2016: \$14.3 million) including the effect of depreciation expense of \$12.2 million (2016: \$11.9 million). Current year results include the impact of reduced fair value increments on investment properties of \$4.9 million compared to \$19.2 million of last year. The decrease was offset by reduction in other expenses such as costs awarded against council of \$1.7 million compared to \$7.5 million of prior year.
- Net operating result before capital decreased by \$0.6 million, mainly due to the factors mentioned above. No significant impact was noted on the net operating result due to movements in capital grants.
- Grants and contributions revenue increased by \$1.9 million or 25.8 per cent. This movement includes an advance payment of 2017-18 Federal Financial Assistance Grants of \$0.828 million.
- Rates and annual charges revenue increased by \$1.4 million or 2.8 per cent. This movement is attributable to increase in the approved rate increase of 2.1 per cent.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$10.3 million to \$9.3 million at the close of the year.
- In addition to operating activities which contributed net cash inflow of \$14.6 million (2016: \$19.0 million), there were proceeds from the sale of assets (\$7.0 million) and the disposal of investments securities (\$77 million). Cash outflows from operating activities were used to acquire investment securities (\$84 million), purchase and construct assets (\$21.6 million) and repay borrowings (\$3.2 million).



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	8.6	8.4	<ul style="list-style-type: none"> <li>Cash and investments amounted to \$72.0 million at 30 June 2017 (2016: \$75.2 million).</li> </ul>
Internal restrictions	61.2	64.7	<ul style="list-style-type: none"> <li>The decrease is mainly due to a reduction in funds set aside for future expenditure.</li> </ul>
Unrestricted	2.2	2.1	
Cash and investments	72.0	75.2	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions, specific purpose grants, domestic waste and stormwater management charges and environmental and infrastructure levies.</li> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These aggregated to \$61.2 million and their purpose is fully disclosed in Note 6 of the financial statements.</li> <li>The Council's unrestricted cash and investments amounted to \$2.2 million, which is available to provide liquidity for day to day operations.</li> </ul>

### Borrowings

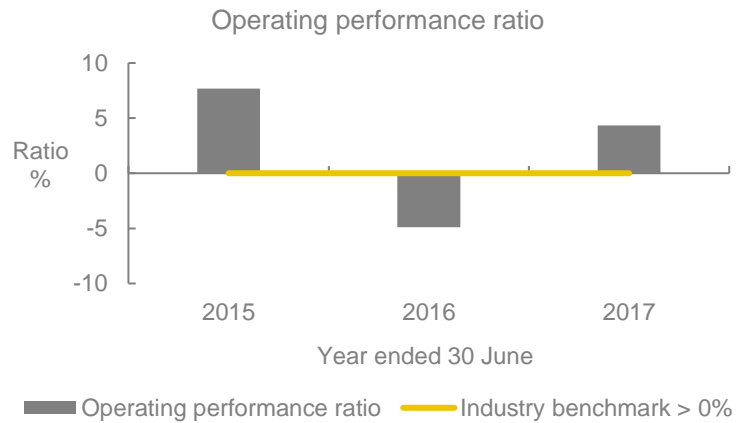
After repaying principal and interest of \$6.6 million during the financial year, total debt as at 30 June 2017 was \$70.3 million (2016: \$73.5 million).

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

## Operating performance ratio

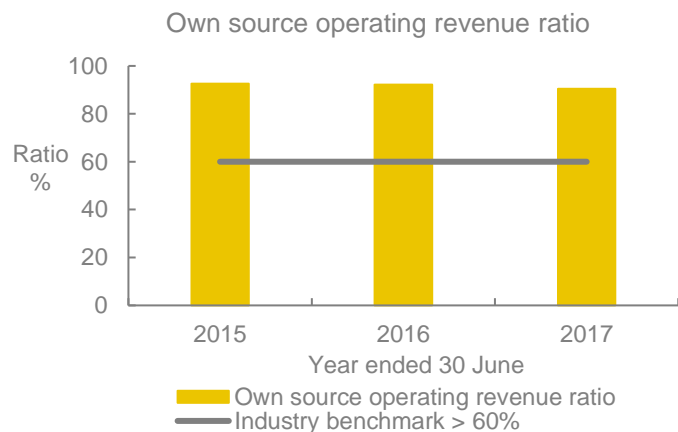
- Council's operating performance ratio of 4.3 per cent reflects a surplus in operating revenues over operating expenses and exceeded the OLG benchmark of greater than zero per cent.
- This was driven by increases in rates, operating grants, in conjunction with relatively stable operating expenses.
- Council's operating performance ratio for 2015-16 was lower than the OLG benchmark due to significant costs awarded against council of \$7.5 million which reduced to \$1.7 million in 2016-17.



The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

## Own source operating revenue ratio

- Council's own source operating revenue ratio of 90.4 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.
- The ratio has remained relatively stable above the benchmark of 60 per cent over the last three years.

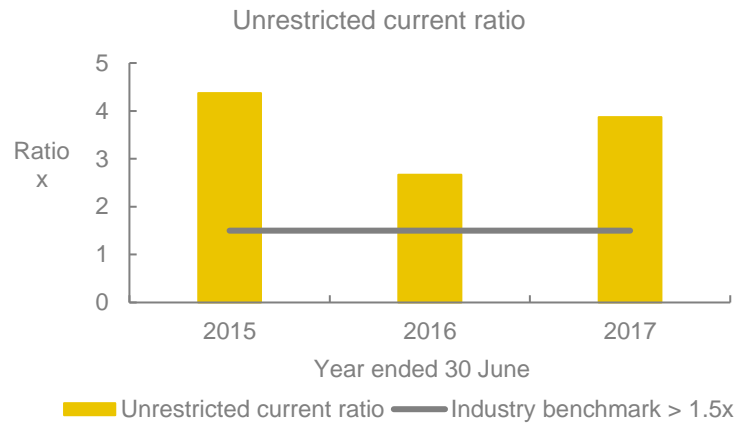


The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

## Unrestricted current ratio

- This ratio indicates that Council currently has \$3.87 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities. This reflects an operating buffer for use in Council’s operations and exceeded the OLG benchmark of greater than 1.5 times.
- The ratio has been slightly volatile but relatively stayed around the benchmark of 1.5 times over the last three years.
- The unrestricted current ratio excludes restricted assets held by Council, but restricted in use for a specific purpose.

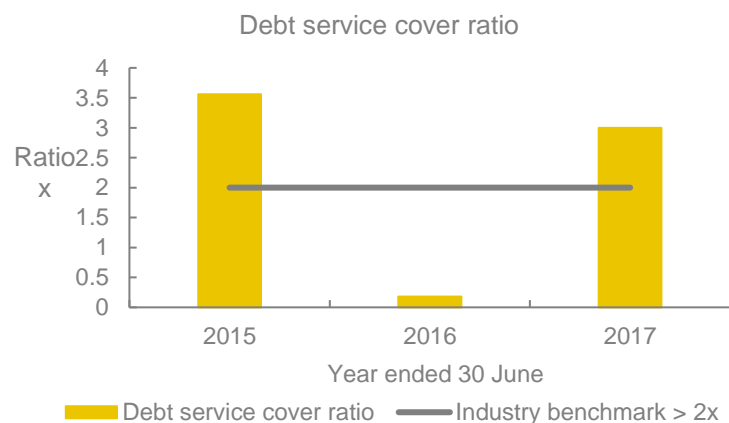
The ‘unrestricted current ratio’ is specific to local government and represents council’s ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

- The result in the comparative year reflects the substantial repayment of debt \$61.4 million.
- The current year’s result is reflective of normal debt servicing costs.

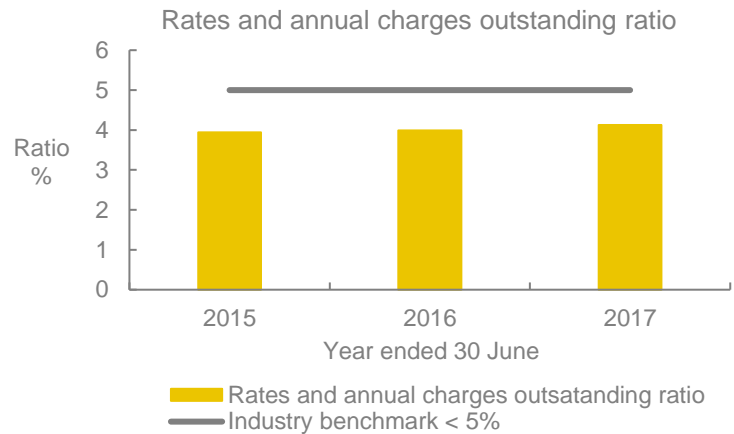
The ‘debt service cover ratio’ measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

- Council's rates and annual charges outstanding ratio of 4.1 per cent exceeded the OLG benchmark of less than five per cent.
- This was driven by the strong economic environment in the local government area.
- The ratio has remained consistent over the past three years.

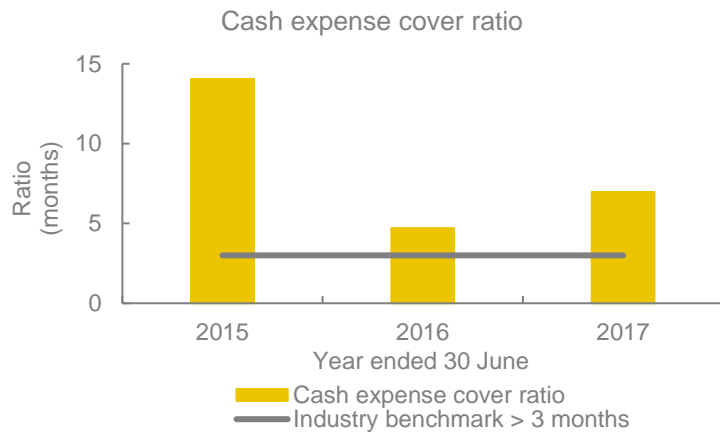
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 5 per cent for metro councils.



## Cash expense cover ratio

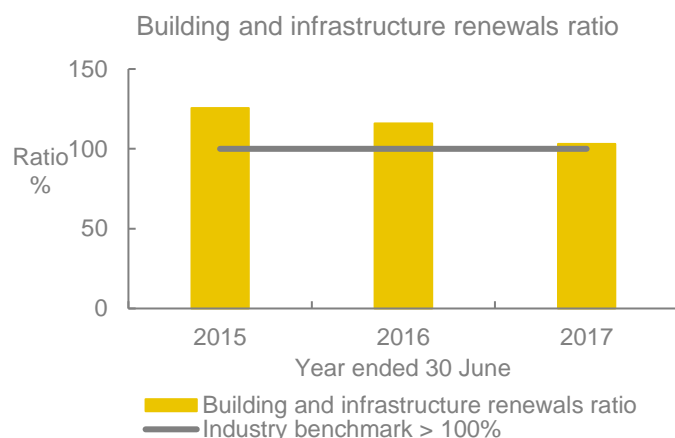
- Council's cash expense cover ratio of 6.9 months exceeded the OLG benchmark of greater than three months.
- This reflects the substantial building up of cash and investment securities made over number of years.
- Council's cash expense cover ratio has increased compared to prior year, reflecting ongoing operating surpluses.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



## Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio of 103 per cent exceeded the OLG benchmark of greater than 100 per cent.
- This reflected adequate capital investment in asset renewals, especially buildings, footpaths and open space.
- Council's building and infrastructure renewals ratio has decreased since 2015 because of lower capital outlays.



The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.

## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016g

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

### Asset Revaluations

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.

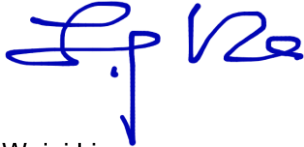
During the year, buildings, operational and community land were revalued. This resulted in a net increase of \$57.0 million in the Asset Revaluation Reserves, of which \$33.2 million related to buildings..

## Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited

staff provided all accounting records and information relevant to the audit.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY

cc: Mr Gary James, General Manager  
Mr John Gordon, Chair of the Audit and Assurance Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Woollahra Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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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 2017

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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 2017

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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 2017

Contents		Page
<b>Special Schedules<sup>1</sup></b>		
<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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>3,265</b>	<b>5</b>	<b>–</b>	<b>(3,260)</b>
<b>Administration</b>	<b>17,743</b>	<b>5,861</b>	<b>–</b>	<b>(11,882)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	2,677	–	–	(2,677)
Beach control	–	–	–	–
Enforcement of local government regulations	2,992	8,759	–	5,767
Animal control	134	27	–	(107)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>5,803</b>	<b>8,786</b>	<b>–</b>	<b>2,983</b>
<b>Health</b>	<b>435</b>	<b>113</b>	<b>–</b>	<b>(322)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	1,219	500	–	(719)
Solid waste management	11,151	15,932	10	4,791
Street cleaning	2,623	91	–	(2,532)
Drainage	1,009	–	–	(1,009)
Stormwater management	–	397	180	577
<b>Total environment</b>	<b>16,002</b>	<b>16,920</b>	<b>190</b>	<b>1,108</b>
<b>Community services and education</b>				
Administration and education	3,456	1,411	209	(1,836)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>3,456</b>	<b>1,411</b>	<b>209</b>	<b>(1,836)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	1,299	364	–	(935)
Town planning	5,275	2,231	2,736	(308)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>6,574</b>	<b>2,595</b>	<b>2,736</b>	<b>(1,243)</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 2017

\$'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	5,094	459	–	(4,635)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	777	311	15	(451)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	7,108	402	163	(6,543)
Other sport and recreation	250	1	–	(249)
<b>Total recreation and culture</b>	<b>13,229</b>	<b>1,173</b>	<b>178</b>	<b>(11,878)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	1,363	1,047	–	(316)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>1,363</b>	<b>1,047</b>	<b>–</b>	<b>(316)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	5,378	2,064	973	(2,341)
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	2,840	2,074	–	(766)
Footpaths	1,978	–	–	(1,978)
Aerodromes	–	–	–	–
Other transport and communication	4,131	1,630	–	(2,501)
<b>Total transport and communication</b>	<b>14,327</b>	<b>5,768</b>	<b>973</b>	<b>(7,586)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	7,681	18,647	18	10,984
<b>Total economic affairs</b>	<b>7,681</b>	<b>18,647</b>	<b>18</b>	<b>10,984</b>
<b>Totals – functions</b>	<b>89,878</b>	<b>62,326</b>	<b>4,304</b>	<b>(23,248)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>37,944</b>		<b>37,944</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>89,878</b>	<b>100,270</b>	<b>4,304</b>	<b>14,696</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 2017

\$'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	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	3,175	70,334	<b>73,509</b>	–	3,175			3,462	3,351	66,983	<b>70,334</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>3,175</b>	<b>70,334</b>	<b>73,509</b>	<b>–</b>	<b>3,175</b>	<b>–</b>	<b>–</b>	<b>3,462</b>	<b>3,351</b>	<b>66,983</b>	<b>70,334</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>3,175</b>	<b>70,334</b>	<b>73,509</b>	<b>–</b>	<b>3,175</b>	<b>–</b>	<b>–</b>	<b>3,462</b>	<b>3,351</b>	<b>66,983</b>	<b>70,334</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 2017

\$'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	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	–	–	1,613	1,406	70,042	108,455	40%	14%	45%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,613</b>	<b>1,406</b>	<b>70,042</b>	<b>108,455</b>	<b>40.4%</b>	<b>13.9%</b>	<b>45.4%</b>	<b>0.3%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	2,176	2,176	757	813	319,260	463,190	27%	30%	42%	1%	0%
	Bridges	–	–	–	–	1,973	2,570			100%		0%
	Footpaths	170	170	598	642	37,833	74,180	14%	54%	32%	0%	0%
	<b>Sub-total</b>	<b>2,346</b>	<b>2,346</b>	<b>1,355</b>	<b>1,455</b>	<b>359,066</b>	<b>539,940</b>	<b>25.0%</b>	<b>33.2%</b>	<b>40.9%</b>	<b>0.9%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	796	796	161	178	41,325	87,785	66%	12%	22%	1%	0%
	<b>Sub-total</b>	<b>796</b>	<b>796</b>	<b>161</b>	<b>178</b>	<b>41,325</b>	<b>87,785</b>	<b>65.8%</b>	<b>11.7%</b>	<b>21.6%</b>	<b>0.9%</b>	<b>0.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	–	–	40	123	2,622	4,059	100%				0%
	Other parks & open space	3,749	3,749	1,178	1,172	25,866	35,953	17%	37%	38%	7%	1%
	<b>Sub-total</b>	<b>3,749</b>	<b>3,749</b>	<b>1,218</b>	<b>1,295</b>	<b>28,488</b>	<b>40,012</b>	<b>25.4%</b>	<b>33.2%</b>	<b>34.1%</b>	<b>6.3%</b>	<b>0.9%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>6,891</b>	<b>6,891</b>	<b>4,347</b>	<b>4,334</b>	<b>498,921</b>	<b>776,192</b>	<b>31.8%</b>	<b>28.1%</b>	<b>39.0%</b>	<b>1.1%</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 2017

\$ '000	Amounts	Indicator	Prior periods	
	2017	2017	2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>10,405</u>	<b>103.05%</b>	115.87%	125.53%
Depreciation, amortisation and impairment	<u>10,097</u>			
<b>1(a). Building renewals ratio</b>				
Asset renewals (buildings) <sup>(1)</sup>	<u>956</u>	<b>41.40%</b>	119.17%	316.72%
Depreciation, amortisation and impairment	<u>2,309</u>			
<b>1(b). Infrastructure renewals ratio</b>				
Asset renewals (infrastructure) <sup>(1)</sup>	<u>9,435</u>	<b>121.15%</b>	115.04%	70.52%
Depreciation, amortisation and impairment	<u>7,788</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>6,891</u>	<b>1.38%</b>	1.04%	1.34%
Net carrying amount of infrastructure assets	<u>498,921</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>4,334</u>	<b>1.00</b>	0.99	1.03
Required asset maintenance	<u>4,347</u>			
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to	<u>6,891</u>	<b>0.89%</b>	0.00%	
Gross replacement cost	<u>776,192</u>			

#### Notes

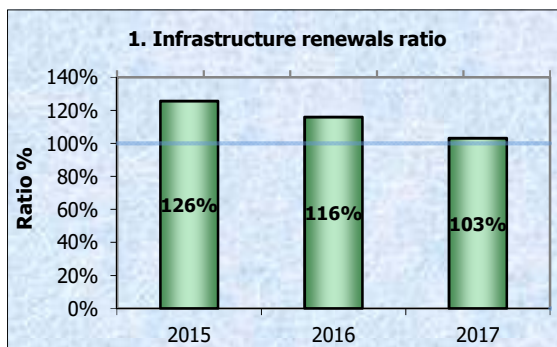
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

<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 2017



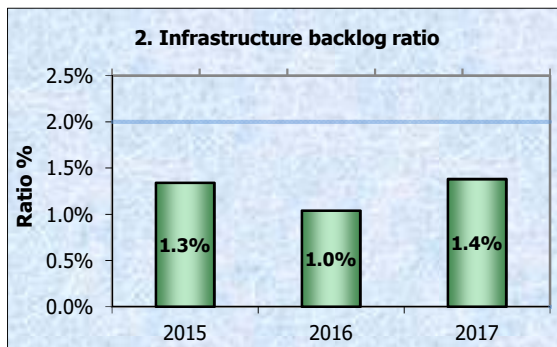
**Purpose of asset renewals ratio**

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

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>103.05%</b>
Council's ratio remains above benchmark for 2017	

Benchmark: ——— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



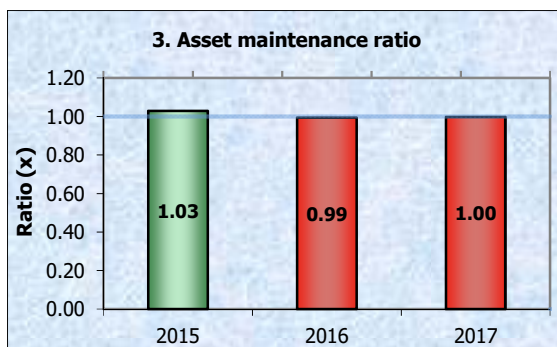
**Purpose of infrastructure backlog ratio**

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

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>1.38%</b>
Council's ratio remains within benchmark for 2017	

Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ 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 2016/17 result	
<b>2016/17 Ratio</b>	<b>1.00 x</b>
Council's ratio remains at the benchmark for 2017	

Benchmark: ——— Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

## Woollahra Municipal Council

### Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	37,040	37,731
Plus or minus adjustments <sup>(2)</sup>	b	29	36
<b>Notional general income</b>	c = (a + b)	<b>37,069</b>	<b>37,767</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
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	667	566
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>37,736</b>	<b>38,333</b>
Plus (or minus) last year's carry forward total	l	24	27
Less valuation objections claimed in the previous year	m	(2)	(1)
<b>Sub-total</b>	n = (l + m)	<b>22</b>	<b>26</b>
<b>Total permissible income</b>	o = k + n	<b>37,758</b>	<b>38,359</b>
Less notional general income yield	p	37,731	38,327
<b>Catch-up or (excess) result</b>	q = o – p	<b>27</b>	<b>32</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	1	6
Less unused catch-up <sup>(5)</sup>	s	(1)	(21)
<b>Carry forward to next year</b>	t = q + r – s	<b>27</b>	<b>17</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.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Woollahra Municipal Council

To the Councillors of Woollahra Municipal Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Woollahra Municipal Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Woollahra Municipal Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Other Matter**

Special Schedule No.8 of the Council for the year ending 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 16 September 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Weini Liao  
Director, Financial Audit Services

31 October 2017  
SYDNEY