

Part 4 Financial Statements Annual Report 2012/13

Woollahra Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*"...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 financial year ended 30 June 2013

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	74
- On the Conduct of the Audit (Sect 417 [3])	76

Overview

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

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

- the ability to provide goods, services 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 24 September 2013. Council has the power to amend and reissue these financial statements.
-

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2013.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

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

Woollahra Municipal Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Statement by Councillors and Management

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

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

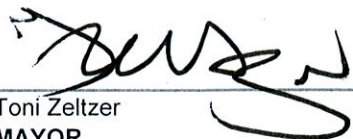
- The Local Government Act 1993 (as amended) and the Regulation made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

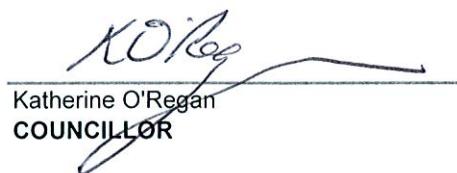
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 23 September 2013.



Toni Zeltzer
MAYOR



Katherine O'Regan
COUNCILLOR



Gary James
GENERAL MANAGER



Don Johnston, Manager Finance
RESPONSIBLE ACCOUNTING OFFICER

Woollahra Municipal Council

Income Statement

for the financial year ended 30 June 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
44,297	Rates & Annual Charges	3a	44,359	41,885
9,509	User Charges & Fees	3b	8,939	8,671
1,960	Interest & Investment Revenue	3c	3,774	2,932
10,558	Other Revenues	3d	12,030	10,438
2,863	Grants & Contributions provided for Operating Purposes	3e,f	3,120	3,515
2,557	Grants & Contributions provided for Capital Purposes	3e,f	4,356	3,620
Other Income:				
268	Net gains from the disposal of assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
72,012	Total Income from Continuing Operations		76,578	71,061
Expenses from Continuing Operations				
32,431	Employee Benefits & On-Costs	4a	32,936	32,425
439	Borrowing Costs	4b	439	507
11,831	Materials & Contracts	4c	13,395	12,623
10,113	Depreciation & Amortisation	4d	10,347	10,290
-	Impairment	4d	-	-
15,446	Other Expenses	4e	15,089	13,498
-	Net Losses from the Disposal of Assets	5	1,455	830
70,260	Total Expenses from Continuing Operations		73,661	70,173
1,752	Operating Result from Continuing Operations		2,917	888
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
1,752	Net Operating Result for the Year		2,917	888
1,752	Net Operating Result attributable to Council		2,917	888
-	Net Operating Result attributable to Non-controlling Interests		-	-
(805)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(1,439)	(2,732)

(1) Original Budget as approved by Council - refer Note 16

Woollahra Municipal Council

Statement of Comprehensive Income for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		2,917	888
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	42,586	-
Total Items which will not be reclassified subsequently to the Operating Result		42,586	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil		-	-
Total Other Comprehensive Income for the year		42,586	-
Total Comprehensive Income for the Year		45,503	888
Total Comprehensive Income attributable to Council		45,503	888
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Woollahra Municipal Council

Statement of Financial Position

as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash & Cash Equivalents	6a	5,403	7,701	4,270
Investments	6b	28,157	27,302	29,136
Receivables	7	6,660	5,629	5,751
Inventories	8	220	187	172
Other	8	941	846	918
Non-current assets classified as 'held for sale'	22	-	-	-
Total Current Assets		41,381	41,665	40,247
Non-Current Assets				
Investments	6b	-	-	1,000
Receivables	7	101	110	106
Inventories	8	-	-	-
Infrastructure, Property, Plant & Equipment	9	630,824	586,930	583,265
Investments accounted for using the equity method	19	-	-	-
Investment Property	14	15,275	14,425	19,075
Other	8	-	-	-
Total Non-Current Assets		646,200	601,465	603,446
TOTAL ASSETS		687,581	643,130	643,693
LIABILITIES				
Current Liabilities				
Payables	10	17,296	17,653	18,416
Borrowings	10	1,016	944	873
Provisions	10	9,519	9,232	8,617
Total Current Liabilities		27,831	27,829	27,906
Non-Current Liabilities				
Payables	10	-	-	-
Borrowings	10	4,019	5,035	5,979
Provisions	10	213	251	216
Total Non-Current Liabilities		4,232	5,286	6,195
TOTAL LIABILITIES		32,063	33,115	34,101
Net Assets		655,518	610,015	609,592
EQUITY				
Retained Earnings	20	501,935	499,018	502,780
Revaluation Reserves	20	153,583	110,997	106,812
Council Equity Interest		655,518	610,015	609,592
Non-controlling Interest		-	-	-
Total Equity		655,518	610,015	609,592

Woollahra Municipal Council

Statement of Changes in Equity for the financial year ended 30 June 2013

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		499,483	110,997	610,480	-	610,480
a. Correction of Prior Period Errors	20 (c)	(465)	-	(465)	-	(465)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		499,018	110,997	610,015	-	610,015
c. Net Operating Result for the Year		2,917	-	2,917	-	2,917
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	42,586	42,586	-	42,586
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	42,586	42,586	-	42,586
Total Comprehensive Income (c&d)		2,917	42,586	45,503	-	45,503
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		501,935	153,583	655,518	-	655,518

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		502,780	106,812	609,592	-	609,592
a. Correction of Prior Period Errors	20 (c)	(4,650)	4,185	(465)	-	(465)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		498,130	110,997	609,127	-	609,127
c. Net Operating Result for the Year		888	-	888	-	888
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		888	-	888	-	888
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		499,018	110,997	610,015	-	610,015

Woollahra Municipal Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
44,197	Rates & Annual Charges		44,354	41,843
10,825	User Charges & Fees		9,354	9,062
1,960	Investment & Interest Revenue Received		2,007	2,437
5,778	Grants & Contributions		7,322	7,357
350	Bonds, Deposits & Retention amounts received		3,746	3,294
11,912	Other		14,125	13,527
Payments:				
(31,451)	Employee Benefits & On-Costs		(32,956)	(31,635)
(12,552)	Materials & Contracts		(14,175)	(14,746)
(439)	Borrowing Costs		(442)	(513)
-	Bonds, Deposits & Retention amounts refunded		(3,827)	(3,114)
(16,691)	Other		(17,796)	(15,822)
13,889	Net Cash provided (or used in) Operating Activities	11b	11,712	11,689
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		57,086	58,887
1,637	Sale of Infrastructure, Property, Plant & Equipment		1,410	1,237
Payments:				
-	Purchase of Investment Securities		(56,000)	(55,476)
(13,288)	Purchase of Infrastructure, Property, Plant & Equipment		(15,562)	(12,033)
(11,651)	Net Cash provided (or used in) Investing Activities		(13,066)	(7,385)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(944)	Repayment of Borrowings & Advances		(944)	(873)
(944)	Net Cash Flow provided (used in) Financing Activities		(944)	(873)
1,294	Net Increase/(Decrease) in Cash & Cash Equivalents		(2,298)	3,431
26,475	plus: Cash & Cash Equivalents - beginning of year	11a	7,701	4,270
27,769	Cash & Cash Equivalents - end of the year	11a	5,403	7,701
Additional Information:				
	plus: Investments on hand - end of year	6b	28,157	27,302
Total Cash, Cash Equivalents & Investments			33,560	35,003

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	28
2(b)	Council Functions / Activities - Component Descriptions	29
3	Income from Continuing Operations	30
4	Expenses from Continuing Operations	34
5	Gains or Losses from the Disposal of Assets	38
6(a)	Cash & Cash Equivalent Assets	39
6(b)	Investments	40
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	41
7	Receivables	43
8	Inventories & Other Assets	44
9(a)	Infrastructure, Property, Plant & Equipment	45
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	46
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	46 n/a
10(a)	Payables, Borrowings & Provisions	47
10(b)	Description of (and movements in) Provisions	48
11	Statement of Cash Flows - Additional Information	49
12	Commitments for Expenditure	51
13	Statement of Performance Measures:	
	13a (i) Local Government Industry (DLG) Indicators and Graphs (Consolidated)	52
	13a (ii) Local Government Industry (TCorp) Indicators (Consolidated)	54
	13b Local Government Industry Indicators (by Fund)	n/a
14	Investment Properties	55
15	Financial Risk Management	56
16	Material Budget Variations	61
17	Statement of Developer Contributions	64
18	Contingencies and Other Liabilities/Assets not recognised	66
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	69
20	Equity - Retained Earnings and Revaluation Reserves	70
21	Financial Result & Financial Position by Fund	71 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	72 n/a
23	Events occurring after the Reporting Period	72 n/a
24	Discontinued Operations	72 n/a
25	Intangible Assets	72 n/a
26	Reinstatement, Rehabilitation & Restoration Liabilities	72 n/a
 Additional Council Disclosures		
27	Council Information & Contact Details	73

n/a - not applicable

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by not-for-profit entities.

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to materially affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

unused grant or contribution is disclosed in Note 3(g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash and Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and **(ii)** all the related operating results (for the financial year ended the 30th June 2013).

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

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

(i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Premature Insurance pool*

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

Jointly Controlled Entities

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

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

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities and Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash and Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

In contrast to the “Loans and Receivables” classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

of financial assets that could otherwise be classified in one of the other investment categories.

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

Financial Assets – Reclassification

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

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

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

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

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

General Accounting and Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

The techniques applied to estimate fair value for 2013, consistent with 2012, are:

Managed Funds	Unit Price
CDOs	Market Valuation (described below)
FRNs	Independent Market Valuation
CCOs and MBSs	Bid Price

The Market Valuations of CDOs, based on Council's assessment of the material risk of total loss, indicates their value to be zero. Some of these investment securities may ultimately return a greater sum to Council and a Contingent Asset has been noted in Note 18 accordingly.

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

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

(h) Receivables

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

Receivables (excluding Rates and Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

Council holds no land for resale.

(j) Infrastructure, Property, Plant and Equipment

Acquisition of assets

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

At balance date, the following classes of Infrastructure, Property, Plant and Equipment were stated at their Fair Value;

- **Investment Properties** – refer Note 1(o),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges and footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)
- **Other Assets** (as approximated by depreciated historical cost)

Initial Recognition

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

Where settlement of any part of an assets cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant and Equipment:

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

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

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

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

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads	100% Capitalised

Plant and Equipment

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

Buildings and Land Improvements

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

Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's Infrastructure, Property, Plant and Equipment include:

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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
-------------	-----------------

Stormwater Drainage

- Drains	80 to 150 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years
- Road Pavements	33 to 100 years
- Kerb, Gutter and Paths	33 to 100 years
- Footpaths	33 to 100 years

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

Disposal and De-recognition

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

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

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local

Government Act (1993) classified as either Operational or Community.

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

(o) Investment property

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

The last full revaluation for Council's Investment Properties was dated 30 June 2011.

(p) Non-Current Assets (or Disposal Groups) "Held for Sale" and Discontinued Operations

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

A Discontinued Operation is a component of the Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations,

is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(q) Impairment of assets

All Council's Infrastructure, Property Plant and Equipment is subject to an annual assessment of impairment.

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

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

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

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

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

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

(r) Payables

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(s) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(t) Borrowing costs

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

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

(u) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(v) Employee benefits

(i) Short Term Obligations

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20/02/13 and covers the period ended 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 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 2013 was \$813,296.

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,494,147 as at 30 June 2013.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Defined Contribution Plans

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

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(w) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(y) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

(z) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

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

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

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

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

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

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

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective for accounting periods commencing on or after 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements.

However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 and AASB 7] (effective for accounting periods commencing on or after 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for accounting periods commencing on or after 1 January 2013)

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

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

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

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

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

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

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition. AASB 11 introduces a principles based approach to accounting for joint arrangements.

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

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

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

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

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

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

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

This revised standard on accounting for employee benefits requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in paragraph (v) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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

(aa) Rounding of amounts

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

(ab) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

individually reported for the first time within these financial statements and/or the notes.

(ac) Disclaimer

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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
	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013	2012	2013	2012
Governance	11	9	6	2,813	2,889	2,442	(2,802)	(2,880)	(2,436)	-	-	-	-
A connected and harmonious community	38	42	41	935	902	749	(897)	(860)	(708)	36	38	4,228	4,178
A supported community	987	1,092	1,105	1,933	1,954	2,158	(946)	(862)	(1,053)	198	242	1,749	1,736
A creative and vibrant community	682	560	481	3,653	3,566	3,486	(2,971)	(3,006)	(3,005)	195	143	5,257	5,428
Well planned neighbourhoods	2,359	2,113	2,255	6,205	6,274	6,118	(3,846)	(4,161)	(3,863)	-	-	767	739
Liveable places	3,415	5,074	4,706	19,830	20,804	19,902	(16,415)	(15,730)	(15,196)	2,520	2,504	444,257	428,875
Getting around	8,779	8,629	7,963	3,264	3,691	3,225	5,515	4,938	4,738	-	21	76,958	60,653
Protecting our environment	41	102	52	1,185	1,232	1,223	(1,144)	(1,130)	(1,171)	88	42	32,356	31,983
Sustainable use of resources	12,436	12,759	11,591	9,296	9,776	8,796	3,140	2,983	2,795	482	461	2,685	2,399
Community focused economic developm't	15	17	77	2,409	2,435	2,226	(2,394)	(2,418)	(2,149)	-	9	1,181	1,203
Working together	-	-	-	619	633	595	(619)	(633)	(595)	-	-	7,189	10,981
Well managed Council	9,597	10,979	9,623	18,118	19,505	19,253	(8,522)	(8,526)	(9,630)	70	81	74,887	57,978
Total Functions & Activities	38,360	41,376	37,900	70,260	73,661	70,173	(31,901)	(32,285)	(32,273)	3,589	3,542	651,514	606,153
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	33,652	35,202	33,161	-	-	-	33,652	35,202	33,161	1,624	2,032	36,067	36,977
Operating Result from Continuing Operations	72,012	76,578	71,061	70,260	73,661	70,173	1,752	2,917	888	5,213	5,574	687,581	643,130

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

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 2(b). Council Functions / Activities - Component Descriptions

Reporting against Council's functions/activities is aligned with the following Themes & Goals from Council's Community Strategic Plan, Woollahra 2025.

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 ist wide range of services and facilities, and be able to access public transport, walking cycling routes within our

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 adaption 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.

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 strategise and ensure ongoing resources to fulfil long term community goals.

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		25,709	24,517
Business		4,444	4,216
Total Ordinary Rates		30,153	28,733
Special Rates			
Environmental & Infrastructure Levy		3,506	3,396
Total Special Rates		3,506	3,396
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		10,171	9,231
Stormwater Management Services		485	483
Section 611 Charges		44	42
Total Annual Charges		10,700	9,756
TOTAL RATES & ANNUAL CHARGES		44,359	41,885

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,931	1,762
Total User Charges		1,931	1,762
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspection Fees		84	63
Registration Fees & Permits		162	151
Principal Certifying Authority Fees		29	55
Hoarding Fees		65	78
Compliance Levy		146	185
Development Application Fees		488	582
Section 96 Amendment Application Fees		187	197
Certificate Fees		612	593
Advertising Fees		286	298
Subdivision Application Fees		10	9
Total Fees & Charges - Statutory/Regulatory		2,069	2,211
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Casual Park Hire		106	97
Construction Zone Charges		315	433
Credit Card Usage Charge		101	93
File Retrieval Charges		68	69
Filming Fees		60	33
Fire Safety Statement Lodgement Fee		77	66
Footpath Crossing Administration Fees		57	63
Mobile Bin & Crate Sales		2	41
Parking Meters		1,716	1,590
Parking Permits - Residential		343	355
Pre DA Lodgement Advice Service Fees		24	21
Preschool Fees		769	727
Restoration Charges		1,015	821
Tree Preservation Order Applications		47	41
Tree Pruning Income		95	78
Other		144	169
Total Fees & Charges - Other		4,939	4,698
TOTAL USER CHARGES & FEES		8,939	8,671

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		160	195
- Interest earned on Investments (interest & coupon payment income)		1,649	2,128
- Other Interest		24	32
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		1,941	577
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>3,774</u>	<u>2,932</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		160	195
General Council Cash & Investments		2,318	1,206
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94 and Section 94A		360	268
Other Externally Restricted Assets		84	160
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		852	1,103
<u>Total Interest & Investment Revenue Recognised</u>		<u>3,774</u>	<u>2,932</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	850	-
Rental Income - Investment Properties	14	815	560
Rental Income - Other Council Properties		3,417	3,750
Ex Gratia Rates		95	86
Fines - Parking		5,169	4,467
Fines - Other		305	292
Easement Compensation		-	116
Private Use Contributions		373	364
Recovered Costs & Reimbursements		549	481
Recycling Income (non domestic)		73	16
Risk Management Bonuses		122	117
Other		262	189
<u>TOTAL OTHER REVENUE</u>		<u>12,030</u>	<u>10,438</u>

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,129	1,424	-	-
Financial Assistance - Local Roads Component	403	511	-	-
Pensioners' Rates Subsidies - General Component	92	97	-	-
Total General Purpose	1,624	2,032	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	44	45	-	-
Community Care	37	90	-	-
Environmental Works	-	-	420	394
Library Special Grant	40	12	-	-
Open Space	-	-	1,193	1,156
Preschool	198	190	-	-
State Library Subsidy	105	131	-	-
Street Lighting	321	313	-	-
Transport (Roads to Recovery)	194	194	-	-
Transport (Other Roads & Bridges Funding)	138	136	459	311
Drainage	-	-	196	328
Sustainability	126	-	-	-
Other	25	111	93	131
Total Specific Purpose	1,228	1,222	2,361	2,320
Total Grants	2,852	3,254	2,361	2,320
Grant Revenue is attributable to:				
- Commonwealth Funding	1,726	2,130	530	386
- State Funding	1,000	1,041	1,702	1,929
- Other Funding	126	83	129	5
	2,852	3,254	2,361	2,320
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	160	-
S 94A - Fixed Development Consent Levies	-	-	1,458	1,215
Total Developer Contributions	-	-	1,618	1,215
Other Contributions:				
Contribution to Works	48	47	377	85
Paddington Library	215	208	-	-
Other	5	6	-	-
Total Other Contributions	268	261	377	85
Total Contributions	268	261	1,995	1,300
TOTAL GRANTS & CONTRIBUTIONS	3,120	3,515	4,356	3,620

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2013	Actual 2012
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	5,023	5,336
add: Grants & contributions recognised in the current period but not yet spent:	2,428	1,879
less: Grants & contributions recognised in a previous reporting period now spent:	(2,316)	(2,192)
Net Increase (Decrease) in Restricted Assets during the Period	112	(313)
Unexpended and held as Restricted Assets	5,135	5,023
Comprising:		
- Specific Purpose Unexpended Grants	1,083	1,070
- Developer Contributions	4,052	3,953
	5,135	5,023

Note 4. Expenses from Continuing Operations

(a) Employee Benefits & On-Costs

Salaries and Wages	24,099	23,173
Travelling	10	11
Employee Leave Entitlements (ELE)	4,592	5,031
Superannuation	2,916	2,807
Workers' Compensation Insurance	1,216	1,192
Fringe Benefit Tax (FBT)	252	237
Training Costs (other than Salaries & Wages)	323	330
Other	28	46
Total Employee Costs	33,436	32,827
less: Capitalised Costs	(500)	(402)
TOTAL EMPLOYEE COSTS EXPENSED	32,936	32,425
Number of "Equivalent Full Time" Employees at year end	360	367
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)	382	380

(b) Borrowing Costs

(i) Interest Bearing Liability Costs

Interest on Loans	439	507
Total Interest Bearing Liability Costs Expensed	439	507

(ii) Other Borrowing Costs

Nil		
TOTAL BORROWING COSTS EXPENSED	439	507

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		4,802	5,071
Contractor & Consultancy Costs			
- General Contractor & Consultancy Costs		3,785	3,241
- Maintenance & Security Contracts		885	786
- Recycling		1,466	1,454
Auditors Remuneration ⁽¹⁾		53	52
Infringement Notice Contract Costs (SEINS)		801	740
Legal Expenses:			
- Legal Expenses: Planning & Development		757	551
- Legal Expenses: Other		773	653
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		73	75
TOTAL MATERIALS & CONTRACTS		13,395	12,623
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit of financial statements: Council's Auditor		53	52
Remuneration for audit and other assurance services		53	52
Total Auditor Remuneration		53	52
2. Operating Lease Payments are attributable to:			
Photocopiers		73	75
		73	75

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,154	1,128
Office Equipment		-	-	159	334
Furniture & Fittings		-	-	16	14
Buildings - Non Specialised		-	-	1,485	1,477
Buildings - Specialised		-	-	579	570
Other Structures		-	-	1,398	1,262
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	4,604	4,593
- Stormwater Drainage		-	-	579	576
Other Assets					
- Library Books		-	-	373	337
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		-	-	10,347	10,290

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		320	357
Bad & Doubtful Debts		47	11
Bank Charges		233	205
Contributions to Double Bay Partnership		120	12
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		272	263
- NSW Fire Brigade Levy		2,455	2,458
- State Emergency Services Levy		100	88
Councillor Expenses - Mayoral Fee		32	38
Councillor Expenses - Councillors' Fees		250	251
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		21	24
Donations, Contributions & Assistance to other organisations (Section 356)			
- Donations, Contributions & Assistance Holdsworth		749	720
- Donations, Contributions & Assistance - Waverley/Woollahra SES		68	46
- Donations, Contributions & Assistance (Other)		172	65
Election Expenses		296	-
Electricity & Heating		458	329
File Archival & Retrieval Costs		179	182
Insurance Deductibles & Claims Payments		237	310
Insurance Premiums		1,312	1,235
Office Rental		25	25
Postage		121	138
Recoverable Expenses		265	225
Registration		140	142
Street Lighting		1,439	1,336
Telephone & Communications		209	197
Valuation Fees		83	64
Waste Disposal Costs		4,611	3,859
Water & Council Rates		251	230
Other		624	688
<u>TOTAL OTHER EXPENSES</u>		<u>15,089</u>	<u>13,498</u>

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		135	421
less: Carrying Amount of Property Assets Sold / Written Off		-	-
Net Gain/(Loss) on Disposal		135	421
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,469	1,119
less: Carrying Amount of P&E Assets Sold / Written Off		(1,857)	(1,295)
Net Gain/(Loss) on Disposal		(388)	(176)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Written Off ¹		(1,202)	(1,075)
Net Gain/(Loss) on Disposal		(1,202)	(1,075)
Financial Assets			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		57,086	58,887
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(57,086)	(58,887)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(1,455)</u>	<u>(830)</u>

¹ This is the carrying amount of infrastructure assets replaced during the year.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	2013	2013	2012	2012
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		234	-	407	-
Cash-Equivalent Assets ¹					
- Deposits at Call		2,919	-	7,044	-
- Short Term Deposits		2,250	-	250	-
Total Cash & Cash Equivalents		5,403	-	7,701	-
Investments (Note 6b)					
- Managed Funds		963	-	1,213	-
- Long Term Deposits		24,250	-	22,500	-
- NCD's, FRN's (with Maturities > 3 months)		2,364	-	2,184	-
- CDO's		-	-	650	-
- Mortgage Backed Securities		580	-	435	-
- Other Long Term Financial Assets		-	-	320	-
Total Investments		28,157	-	27,302	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		33,560	-	35,003	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		5,403	-	7,701	-
--	--	--------------	----------	--------------	----------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	3,907	-	4,802	-
b. "Held to Maturity"	6(b-ii)	24,250	-	22,500	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		28,157	-	27,302	-

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	4,802	-	8,136	-
Revaluations (through the Income Statement)	1,941	-	577	-
Additions	-	-	1,226	-
Disposals (sales & redemptions)	(2,836)	-	(5,137)	-
Balance at End of Year	3,907	-	4,802	-
Comprising:				
- Managed Funds	963	-	1,213	-
- NCD's, FRN's (with Maturities > 3 months)	2,364	-	2,184	-
- CDO's	-	-	650	-
- Mortgage Backed Securities	580	-	435	-
- Other Long Term Financial Assets	-	-	320	-
Total	3,907	-	4,802	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	22,500	-	21,000	1,000
Additions	56,000	-	54,250	-
Disposals (sales & redemptions)	(54,250)	-	(52,750)	(1,000)
Balance at End of Year	24,250	-	22,500	-
Comprising:				
- Long Term Deposits	24,250	-	22,500	-
Total	24,250	-	22,500	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	2013	2013	2012	2012
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	33,560	-	35,003	-
attributable to:				
External Restrictions (refer below)	6,110	-	8,021	-
Internal Restrictions (refer below)	27,276	-	26,695	-
Unrestricted	174	-	287	-
	33,560	-	35,003	-

2013 \$ '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 (A)	3,953	1,978	(1,879)	4,052
Specific Purpose Unexpended Grants (B)	1,070	449	(1,424)	95
Domestic Waste Management (C)	1,177	134	(298)	1,013
Stormwater Management (C)	144	485	(474)	155
Environmental Levy (C)	41	1	(10)	32
Environmental & Infrastructure Levy (C)	1,636	3,619	(4,492)	763
External Restrictions - Other	8,021	6,666	(8,577)	6,110
Total External Restrictions	8,021	6,666	(8,577)	6,110

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

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement (H)	484	-	(295)	189
Infrastructure Replacement (H)	13	60	-	73
Employees Leave Entitlement (H)	1,088	72	-	1,160
Carry Over Works (H)	1,265	1,019	(834)	1,450
Deposits, Retentions & Bonds (H)	8,830	-	(55)	8,775
Early Payment of Financial Assistance Grant (H)	788	802	(789)	802
Elections Reserve (H)	200	-	(200)	-
Insurance Reserve (H)	235	91	-	326
Office Equipment (H)	687	-	(123)	565
Property Reserve (H)	12,720	1,251	(419)	13,552
Preschool Reserve (H)	182	26	(87)	121
Unexpended General Purpose Loans (H)	185	-	(3)	182
Other (H)	17	64	-	81
Total Internal Restrictions	26,695	3,385	(2,804)	27,276
TOTAL RESTRICTIONS	34,716	10,051	(11,381)	33,386

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,780	87	1,765	93
Interest & Extra Charges		291	14	322	17
User Charges & Fees		931	-	493	-
Capital Debtors (being sale of assets)					
- Sale of Land		675	-	481	-
Accrued Revenues					
- Interest on Investments		335	-	475	-
- Other Income Accruals		482	-	395	-
Amounts due from Other Councils		139	-	114	-
Government Grants & Subsidies		988	-	531	-
Leases & Licences		477	-	174	-
Net GST Receivable		242	-	461	-
Recovered Costs		41	-	73	-
Restorations & Other Roadworks		245	-	192	-
Other Debtors		115	-	216	-
Total		6,741	101	5,692	110
less: Provision for Impairment					
User Charges & Fees		(81)	-	(63)	-
Total Provision for Impairment - Receivables		(81)	-	(63)	-
TOTAL NET RECEIVABLES		6,660	101	5,629	110
Externally Restricted Receivables					
Domestic Waste Management		494	-	471	-
Stormwater Management		31	-	30	-
- Environmental Levy		2	-	3	-
- Environmental Levy & Infrastructure Levy		170	-	172	-
- Grants & Contributions		988	-	-	-
Total External Restrictions		1,685	-	676	-
Internally Restricted Receivables					
- Preschool		87	-	-	-
- Sales of Property, Plant & Equipment		295	-	-	-
Internally Restricted Receivables		382	-	-	-
Unrestricted Receivables		4,593	101	4,953	110
TOTAL NET RECEIVABLES		6,660	101	5,629	110

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
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 financial year ended 30 June 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		220	-	187	-
Total Inventories		220	-	187	-
Other Assets					
Prepayments		941	-	846	-
Total Other Assets		941	-	846	-
TOTAL INVENTORIES/ OTHER ASSETS		1,161	-	1,033	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Other Disclosures

Inventory Write Downs

\$3,218 was recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period						as at 30/6/2013				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	3,034	-	-	-	3,034	2,331	(17)	-	(2,708)	-	-	2,640	-	-	-	2,640
Plant & Equipment	-	11,484	3,565	-	7,919	2,986	(1,811)	(1,154)	-	-	-	-	12,659	4,719	-	7,940
Office Equipment	-	7,144	6,290	-	854	116	-	(159)	-	-	-	-	7,260	6,449	-	811
Furniture & Fittings	-	905	779	-	126	107	-	(16)	-	-	-	-	1,012	795	-	217
Land:																
- Operational Land	-	80,126	-	-	80,126	-	-	-	-	1,310	40,012	-	121,448	-	-	121,448
- Community Land	-	93,507	-	-	93,507	-	-	-	-	(1,310)	2,574	-	94,771	-	-	94,771
Buildings - Non Specialised	-	55,618	31,331	-	24,287	89	-	(1,485)	-	-	-	-	55,707	32,816	-	22,891
Buildings - Specialised	-	22,797	14,953	-	7,844	38	-	(579)	-	-	-	-	22,835	15,532	-	7,303
Other Structures	-	32,627	7,956	-	24,671	5,078	-	(1,398)	-	-	-	-	37,705	9,354	-	28,351
Infrastructure:																
- Roads, Bridges, Footpaths	-	278,614	138,290	-	140,324	2,513	(1,078)	(4,604)	2,708	-	-	-	282,757	142,894	-	139,863
- Bulk Earthworks (non-depreciable)	-	170,849	-	-	170,849	-	-	-	-	-	-	-	170,849	-	-	170,849
- Stormwater Drainage	-	73,574	41,753	-	31,821	1,011	(105)	(579)	-	-	-	-	74,480	42,332	-	32,148
Other Assets:																
- Library Books	-	5,111	3,543	-	1,568	443	(46)	(373)	-	-	-	-	5,508	3,916	-	1,592
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	3,034	832,356	248,460	-	586,930	14,712	(3,057)	(10,347)	-	-	42,586	2,640	886,991	258,807	-	630,824

Additions including WIP to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$7,689) and New Assets (\$3,749). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000 Class of Asset	Actual 2013				Actual 2012			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment	-	4,099	2,173	1,926	-	4,235	2,574	1,661
Total DWM	-	4,099	2,173	1,926	-	4,235	2,574	1,661
TOTAL RESTRICTED I,PP&E	-	4,099	2,173	1,926	-	4,235	2,574	1,661

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,591	-	2,195	-
Goods & Services - capital expenditure		192	-	1,040	-
Payments Received In Advance		762	-	481	-
Accrued Expenses:					
- Borrowings		25	-	28	-
- Salaries & Wages		352	-	520	-
Security Bonds, Deposits & Retentions		12,988	-	13,069	-
Other		386	-	320	-
Total Payables		17,296	-	17,653	-
Borrowings					
Loans - Secured ¹		1,016	4,019	944	5,035
Total Borrowings		1,016	4,019	944	5,035
Provisions					
Employee Benefits;					
Annual Leave		2,664	-	2,504	-
Sick Leave		829	-	905	-
Long Service Leave		5,964	213	5,761	251
Gratuities		62	-	62	-
Total Provisions		9,519	213	9,232	251
Total Payables, Borrowings & Provisions		27,831	4,232	27,829	5,286
 (i) Liabilities relating to Restricted Assets					
		2013		2012	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		948	-	927	-
Liabilities relating to externally restricted assets		948	-	927	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		948	-	927	-
Total Liabilities relating to Unrestricted Assets		26,883	4,232	26,902	5,286
TOTAL PAYABLES, BORROWINGS & PROVISIONS		27,831	4,232	27,829	5,286

¹: Loans are secured over the General Rating Income of Council

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Actual 2013	Actual 2012
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	6,294	5,496
Payables - Security Bonds, Deposits & Retentions	8,329	8,420
	14,623	13,916

Note 10b. Description of and movements in Provisions

Class of Provision	2012		2013			
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/13
Annual Leave	2,504	2,035	(1,875)	-	-	2,664
Sick Leave	905	(57)	(19)	-	-	829
Long Service Leave	6,012	913	(748)	-	-	6,177
Gratuities	62	-	-	-	-	62
TOTAL	9,483	2,891	(2,642)	-	-	9,732

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	5,403	7,701
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		5,403	7,701
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		2,917	888
Adjust for non cash items:			
Depreciation & Amortisation		10,347	10,290
Net Losses/(Gains) on Disposal of Assets		1,455	830
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(1,941)	(577)
- Investment Properties		(850)	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(846)	449
Increase/(Decrease) in Provision for Doubtful Debts		18	(30)
Decrease/(Increase) in Inventories		(33)	(15)
Decrease/(Increase) in Other Assets		(95)	72
Increase/(Decrease) in Payables		396	(1,031)
Increase/(Decrease) in accrued Interest Payable		(3)	(6)
Increase/(Decrease) in other accrued Expenses Payable		(168)	249
Increase/(Decrease) in Other Liabilities		266	(80)
Increase/(Decrease) in Employee Leave Entitlements		249	650
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		11,712	11,689

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		400	400
Credit Cards / Purchase Cards		15	15
Total Financing Arrangements		415	415
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		4	6
Total Financing Arrangements Utilised		4	6

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

(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 financial year ended 30 June 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		535	203
Plant & Equipment		301	599
Infrastructure		428	240
Open Space Works		298	737
Environmental Works		105	700
IT		107	103
Lyne Park Seawall - Southern Section		-	754
Hargrave St - Paddington Jersey - Cascade		-	454
Cecil Lane Paddington Overland Flow Path		-	252
Woollahra Seniors - Building Upgrade		535	-
Bay St / Knox St - Inlet Capacity Upgrade		271	-
Total Commitments		2,580	4,042
These expenditures are payable as follows:			
Within the next year		2,580	4,042
Total Payable		2,580	4,042
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		2,580	4,042
Total Sources of Funding		2,580	4,042

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	71	84
Later than one year and not later than 5 years	60	130
Later than 5 years	-	-
Total Non Cancellable Operating Lease Commitments	131	214

b. Non Cancellable Operating Leases include the following assets:

Photocopiers

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

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Amounts	Indicator	Prior Periods	
	2013	2013	2012	2011
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>33,586</u>	2.74 : 1	2.54	2.28
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>12,260</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,383</u>	1.96%	2.09%	1.97%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	<u>70,726</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>44,359</u>	57.93%	58.94%	53.20%
Income from Continuing Operations	<u>76,578</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>2,172</u>	4.65%	4.97%	5.01%
Rates, Annual & Extra Charges Collectible	<u>46,716</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>5,325</u>	73.48%	56.62%	44.57%
Depreciation, Amortisation & Impairment	<u>7,247</u>			
5A. Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>5,221</u>	100.73%	74.25%	53.97%
Depreciation, Amortisation & Impairment	<u>5,183</u>			
5B. Building Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>104</u>	5.04%	12.14%	6.79%
Depreciation, Amortisation & Impairment	<u>2,064</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).


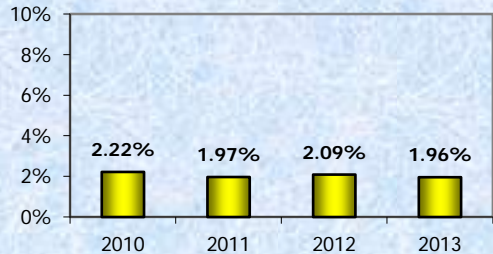
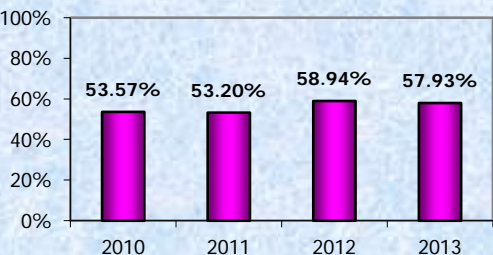
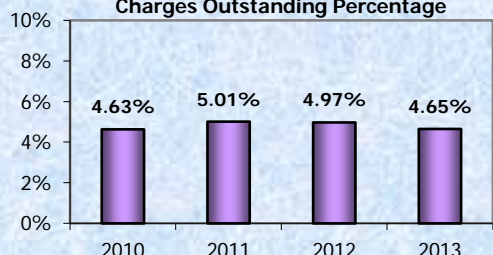

⁽³⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

<p>1. Unrestricted Current Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>2.25</td> </tr> <tr> <td>2011</td> <td>2.28</td> </tr> <tr> <td>2012</td> <td>2.54</td> </tr> <tr> <td>2013</td> <td>2.74</td> </tr> </tbody> </table>	Year	Ratio : 1	2010	2.25	2011	2.28	2012	2.54	2013	2.74	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.74 : 1</p> <p>The increase in the unrestricted ratio is above budget forecasts and continues to indicate that Council has adequate capacity to meet its short term obligations.</p>
Year	Ratio : 1											
2010	2.25											
2011	2.28											
2012	2.54											
2013	2.74											
<p>2. Debt Service Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>2.22%</td> </tr> <tr> <td>2011</td> <td>1.97%</td> </tr> <tr> <td>2012</td> <td>2.09%</td> </tr> <tr> <td>2013</td> <td>1.96%</td> </tr> </tbody> </table>	Year	Ratio %	2010	2.22%	2011	1.97%	2012	2.09%	2013	1.96%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.96%</p> <p>At 1.96%, the ratio is in line with budget forecasts and is well within industry guidelines for debt servicing.</p>
Year	Ratio %											
2010	2.22%											
2011	1.97%											
2012	2.09%											
2013	1.96%											
<p>3. Rates & Annual Charges Coverage Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>53.57%</td> </tr> <tr> <td>2011</td> <td>53.20%</td> </tr> <tr> <td>2012</td> <td>58.94%</td> </tr> <tr> <td>2013</td> <td>57.93%</td> </tr> </tbody> </table>	Year	Ratio %	2010	53.57%	2011	53.20%	2012	58.94%	2013	57.93%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 57.93%</p> <p>The ratio remains in the "normal" range for 2013 and is generally consistent with 2012. The 2011 and 2010 ratios were under the "normal" range due to asset revaluations (\$6.5m in 2011) and one-off contributions (\$4m in 2010).</p>
Year	Ratio %											
2010	53.57%											
2011	53.20%											
2012	58.94%											
2013	57.93%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>4.63%</td> </tr> <tr> <td>2011</td> <td>5.01%</td> </tr> <tr> <td>2012</td> <td>4.97%</td> </tr> <tr> <td>2013</td> <td>4.65%</td> </tr> </tbody> </table>	Year	Ratio %	2010	4.63%	2011	5.01%	2012	4.97%	2013	4.65%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 4.65%</p> <p>A focus on debt recovery has seen a reduction in the outstanding percentage, however at 4.65% it is toward the top of the acceptable ranges for a metropolitan Council.</p>
Year	Ratio %											
2010	4.63%											
2011	5.01%											
2012	4.97%											
2013	4.65%											
<p>5. Building & Infrastructure Renewals Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>73.50%</td> </tr> <tr> <td>2011</td> <td>44.57%</td> </tr> <tr> <td>2012</td> <td>56.62%</td> </tr> <tr> <td>2013</td> <td>73.48%</td> </tr> </tbody> </table>	Year	Ratio %	2010	73.50%	2011	44.57%	2012	56.62%	2013	73.48%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 73.48%</p> <p>A breakdown of this ratio is provided in 5A and 5B above. While this is an improvement over 2012 it still indicates that Council is under-investing in Building Renewal.</p>
Year	Ratio %											
2010	73.50%											
2011	44.57%											
2012	56.62%											
2013	73.48%											

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods	
			2012	2011
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
<u>- Operating Expenses</u>	<u>(4,230)</u>	-6.09%	-3.70%	-3.40%
Operating Revenue (excl. Capital Grants & Contributions)	69,431			
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	<u>53,298</u>	72.23%	71.70%	72.00%
Total Operating Revenue (incl. Capital Grants & Contributions)	73,787			
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	<u>33,586</u>	2.74	2.54	2.28
Current Liabilities less Specific Purpose Liabilities	<u>12,260</u>			
d. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	<u>6,556</u>	4.74	6.03	5.38
Principal Repayments (from the Statement of Cash Flows)	<u>1,383</u>			
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>11,655</u>	1.13	0.95	1.30
Annual Depreciation	<u>10,347</u>			
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>13,742</u>	0.06	0.05	0.03
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	<u>230,556</u>			
g. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>2,613</u>	1.10	1.05	0.79
Required Asset Maintenance	<u>2,380</u>			
h. Building & Infrastructure Renewals Ratio				
Asset Renewals	<u>5,325</u>	0.73	0.57	0.45
Depreciation of Building and Infrastructure Assets	<u>7,247</u>			
i. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	<u>5,403</u>	1.03	1.60	0.90
(Total Expenses - Depreciation - Interest Costs) x12	<u>5,240</u>			
j. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	<u>6,556</u>	14.93	16.41	13.08
Borrowing Interest Costs (from the income statement)	<u>439</u>			

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 14. Investment Properties

\$ '000	Notes	Actual 2013	Actual 2012
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>15,275</u>	<u>14,425</u>
Reconciliation of Annual Movement:			
Opening Balance		14,425	14,425
- Net Gain/(Loss) from Fair Value Adjustments		850	-
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>15,275</u>	<u>14,425</u>
(b) Valuation Basis			
<p>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.</p> <p>The 2013 revaluations were based on Independent Assessments made by: Scott Fullarton Valuations Pty Ltd</p>			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		785	401
Later than 1 year but less than 5 years		1,581	416
Later than 5 years		859	-
Total Minimum Lease Payments Receivable		<u>3,225</u>	<u>817</u>
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		815	560
- Other Income		62	77
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(325)	(203)
Net Revenue Contribution from Investment Properties		<u>552</u>	<u>434</u>
plus:			
Fair Value Movement for year		<u>850</u>	<u>-</u>
Total Income attributable to Investment Properties		<u>1,402</u>	<u>434</u>

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	5,403	7,701	5,403	7,701
Investments				
- "Designated At Fair Value on Initial Recognition"	3,907	4,802	3,907	4,802
- "Held to Maturity"	24,250	22,500	24,250	22,500
Receivables	6,761	5,739	6,760	5,739
Total Financial Assets	40,321	40,742	40,320	40,742
Financial Liabilities				
Payables	16,534	17,172	16,533	17,172
Loans / Advances	5,035	5,979	5,035	5,979
Total Financial Liabilities	21,569	23,151	21,568	23,151

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	3,907	-	-	3,907
Total Financial Assets	3,907	-	-	3,907
2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	4,802	-	-	4,802
Total Financial Assets	4,802	-	-	4,802

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and it's staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is 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 major banks and affiliates or covered by the Government Guarantee.

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
2013				
Possible impact of a 10% movement in Market Values	391	391	(391)	(391)
Possible impact of a 1% movement in Interest Rates	362	362	(362)	(362)
2012				
Possible impact of a 10% movement in Market Values	480	480	(480)	(480)
Possible impact of a 1% movement in Interest Rates	378	378	(378)	(378)

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	3,260	-	3,264
Past due by up to 30 days	710	196	706	212
Past due between 31 and 180 days	280	777	279	254
Past due between 181 and 365 days	429	635	427	118
Past due by more than 1 year	448	107	446	96
	<u>1,867</u>	<u>4,975</u>	<u>1,858</u>	<u>3,944</u>

(ii) Movement in Provision for Impairment of Receivables

	2013	2012
Balance at the beginning of the year	63	93
+ new provisions recognised during the year	47	11
- amounts already provided for & written off this year	(29)	(40)
Balance at the end of the year	<u>81</u>	<u>64</u>

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity 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		
2013									
Trade/Other Payables	12,988	4,082	-	-	-	-	-	17,070	16,534
Loans & Advances	-	1,382	1,381	1,381	960	960	-	6,064	5,035
Total Financial Liabilities	12,988	5,464	1,381	1,381	960	960	-	23,134	21,569
2012									
Trade/Other Payables	13,069	4,103	-	-	-	-	-	17,172	17,172
Loans & Advances	-	1,383	1,382	1,381	1,381	960	960	7,447	5,979
Total Financial Liabilities	13,069	5,486	1,382	1,381	1,381	960	960	24,619	23,151

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

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

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	16,534	0.0%	17,172	0.0%
Loans & Advances - Fixed Interest Rate	5,035	7.3%	5,979	7.3%
	<u>21,569</u>		<u>23,151</u>	

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 2012/13 was adopted by the Council on 25 June 2012.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2013 Budget	2013 Actual	2013 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	44,297	44,359	62	0%	F
While not a material variance overall, there are variances worth noting. Income from Council's Domestic Waste Management Charge was \$41k more than originally forecast. Rates Pensioner Rebate was less than anticipated by \$13k, while the Stormwater Levy was higher than forecast by \$5k as were s611 Charges \$4k. The total of these variances is \$63k.					
User Charges & Fees	9,509	8,939	(570)	(6%)	U
The following income streams were less than originally forecast: Work Zone Charges (\$185k), Development Application Fees (\$129k), Road Restoration Charges (\$87k), Mobile Bin Sales (\$49k), Compliance Levy (\$44k), s96 Amendment Applications (\$43k), Parking Meters (\$34k), Advertising Fees (\$34k), PCA Service Fees (\$31k), Footpath Crossing Admin Fees (\$16k), Hoarding Fees (\$15k), Vehicle Crossing Inspection Fees (\$12k) and Residential Parking Permits (\$7k). The following income streams exceeded forecast income: Ceremonial Park Hire & Photography \$24k, s603 certificates \$22k, Trade Waste Service \$19k, Concert Fees \$14k, Tree Pruning Income \$14k and Crane Permits \$12k, Credit Card Usage Fees \$11k. The total of these variances is (\$570k).					
Interest & Investment Revenue	1,960	3,774	1,814	93%	F
Interest earned on investments was (\$127k) lower than forecast due to lower interest rates throughout the year. Fair value adjustments arising from investment sales and redemptions totalled \$1,941k and were not included in the original budget. The total of these variances is \$1,814.					

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 Variance*	
REVENUES (continued)				
Other Revenues	10,558	12,030	1,472	14% F
<p>The following income streams were less than originally forecast: Car Park Leases (\$569k), Easement Compensation (\$28k) and Ex Gratia Rates (\$12k).</p> <p>The following income streams exceeded forecast income: Fines & Penalties \$714k, Recovered Costs \$315k, Miscellaneous Sales \$52k, Risk Management Bonus \$32k, Fuel Tax Credits \$26k, Leases & Licences \$74k and Sundry Income \$15k.</p> <p>A fair value adjustment to Investment Properties of \$850k was not included in the original budget. The total of these variations is \$1,469k.</p>				
Operating Grants & Contributions	2,863	3,120	257	9% F
<p>Council's Roads to Recovery Grant of \$194k is budgeted in Capital Grants but disclosed as Operating Grants. The following grants exceeded forecast income: Preschool \$54k, Sustainability \$45k and Training \$15k. The following grants were less than originally forecast: Financial Assistance (\$36) and Bus Routes (\$14k). The total of these variances is \$258k.</p>				
Capital Grants & Contributions	2,557	4,356	1,800	70% F
<p>Council was unsuccessful in its grant application for stormwater works to the value of (\$100k) and Section 94A Contributions were (\$142k) less than forecast. The timing of expenditure resulted in a further (\$123k) variance. Also, Council received grant funding throughout the year relating to projects carried over from 2011/12 totalling \$716k, related mainly to works in Lyne Park. New grants totalling \$1,102 not anticipated in the original budget were received during the year, mainly related to Gap Park, Trumper Park, Energy Conservation and Rose Bay Wharf. Council received capital contributions totalling \$377k not in the original budget, mainly related to roadworks and Kiaora Lands. The final variance was \$160k in Section 94 contributions not anticipated in the original budget. As noted above, the Roads to Recovery Grant is budgeted here but disclosed in Operating Grants (\$194k). The total of these variances is (\$1,796k).</p>				
Net Gains from Disposal of Assets	268	-	(268)	(100%) U
<p>Council forecast a gain on sale of assets of \$268k comprised of (\$278k) loss on sale of plant and equipment and \$546k from the sale of unmade road parcels. The result of the year was an overall loss on sale of \$1,455k. The variances are described in Net Losses from Disposal below.</p>				
EXPENSES				
Employee Benefits & On-Costs	32,431	32,936	(505)	(2%) U
<p>Staff training, budgeted in Other Expenses, is disclosed in Employee Benefits & On-costs (\$323k). The following expenditure items exceeded original budget forecasts: Workers' Compensation (\$192k), Fringe Benefits Tax (\$52k) and Salaries and Wages (\$47k). The following expenditure items were less than original budget forecasts: Leave payments and provisioning \$112k. The total of these variations is (\$502k).</p>				
Borrowing Costs	439	439	-	0% F
<p>Borrowing costs were in line with original budget forecasts.</p>				

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 Variance*	
EXPENSES (continued)				
Materials & Contracts	11,831	13,395	(1,564)	(13%) U
<p>The following expenditure items exceeded original budget forecasts: Legal Expenses (\$551k), Temporary staff (\$223k), Vehicle Parts and Repairs (\$112k), General Contracts (\$83k), Stores Issues (\$60k), Cleaning Contract (\$46k), Equipment Purchases (\$30k), Infringement Processing Charges (\$29k) and Protective Clothing (\$22k). The following expenditure items were less than original budget forecasts: Materials \$236k, Consultants \$204k, Lifecycle Maintenance \$88k, Recurrent Contracts \$47k and Furniture and Fittings \$22k. Additionally, (\$1,011k) in expenditure budgeted as Capital Expenditure was expensed at year end. The total of these variances is (\$1,570k).</p>				
Depreciation & Amortisation	10,113	10,347	(234)	(2%) U
<p>Depreciation on Office Equipment and Furniture & Fittings was \$201k less than the original budget as assets reached the end of their respective useful lives. Additionally, depreciation of Plant and Equipment (\$70k) Infrastructure (\$148k) and Other Assets (\$211k) all exceed original budget forecasts. The total of the variances is (\$228k).</p>				
Other Expenses	15,446	15,089	357	2% F
<p>Staff training, budgeted in Other Expenses, is disclosed in Employee Benefits & On-costs \$323k. The following expenditure items were less than original budget forecasts: Self Funded Losses \$236k, Street Lighting Charges \$127k, Fire Brigades Contribution \$76k, Claims Recovery \$72k, Reimbursements \$50k, Advertising \$47k, Contributions to Others \$38k, Interest Paid on Deposits Refunded \$26k, Councillors Fees and Expenses \$18k, Staff Training \$17k, Postage \$14k and Subscriptions \$14k. The following expenditure items exceeded original budget forecasts: Tipping Charges (\$251k), Recoverable Expenses (\$150k), Electricity Charges (\$111k), Insurance Premiums (\$37k), File Archival and Retrieval Costs (\$33k), Bad Debts (\$27k), Water Rates (\$19k), Election (\$17k), Telephone Charges (\$17k), Revenue Collection Charges (\$16k), SES Subsidy (\$13k) and Plant Selling Expenses (\$12k). The total of the variances is \$355k.</p>				
Net Losses from Disposal of Assets	-	1,455	(1,455)	0% U
<p>A budgeted loss on sale of assets of \$268k was reduced to a loss of \$1,455k, a variance of \$1,723k. Proceeds from the sale of Plant and Equipment exceed original budget forecasts by \$176k while proceeds from the sale of unmade road parcels was (\$411k) less than originally budgeted. Additionally, the write off of infrastructure assets (\$1,202k) and Library assets (\$46) were not included in the original budget. The total of these variances is (\$1,723k).</p>				
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	13,889	11,712	(2,177)	(15.7%) U
Cash Flows from Investing Activities	(11,651)	(13,066)	(1,415)	12.1% U
Cash Flows from Financing Activities	(944)	(944)	-	0.0% F

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	2,325	151	-	236	(58)	-	2,654	-	(2,969)	(315)	-
Open Space	4	-	-	-	-	-	4	-	-	4	-
Civic Improvements	41	6	-	1	-	-	48	-	(680)	(632)	-
Recreation	282	1	-	9	-	-	292	-	-	292	-
Plan Preparation & Administration	35	2	-	1	-	-	38	-	(88)	(50)	-
S94 Contributions - under a Plan	2,687	160	-	247	(58)	-	3,036	-	(3,737)	(701)	-
S94A Levies - under a Plan	1,224	1,458	-	112	(1,821)	-	973				-
Total S94 Revenue Under Plans	3,911	1,618	-	359	(1,879)	-	4,009				-
S94 not under Plans	42	-	-	1	-	-	43	-	-	43	-
Total Contributions	3,953	1,618	-	360	(1,879)	-	4,052	-	(3,737)	(658)	-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	402	-	-	12	(58)	-	356	-	-	356	-
Open Space	4	-	-	-	-	-	4	-	-	4	-
Total	406	-	-	12	(58)	-	360	-	-	360	-

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - 2002 Contributions Plan

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking - Rose Bay	813	151	-	189	-	-	1,153	-	(619)	534	-
Parking - Double Bay	1,110	-	-	35	-	-	1,145	-	(2,350)	(1,205)	-
Civic Improvements	41	6	-	1	-	-	48	-	(680)	(632)	-
Recreation	282	1	-	9	-	-	292	-	-	292	-
Plan Preparation & Administration	35	2	-	1	-	-	38	-	(88)	(50)	-
Total	2,281	160	-	235	-	-	2,676	-	(3,737)	(1,061)	-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	1,224	1,458	-	112	(1,821)	-	973	-	-	-	-
Total	1,224	1,458	-	112	(1,821)	-	973	-	-	-	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	42	-	-	1	-	-	43	-	-	43	-
Total	42	-	-	1	-	-	43	-	-	43	-

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119. The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,494,147 as at 30 June 2013.

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 financial year ended 30 June 2013

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

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

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

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

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

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.

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

\$ '000

ASSETS NOT RECOGNISED:

(iii) Investment Securities

At 30 June 2013, Council valued its Collateralised Debt Obligation investment at \$Nil based on its assessment of the material risk of total loss.

It is possible that, through either the sale or maturity of this security (in March 2014), Council will receive greater than \$Nil.

Accordingly, at year end there is a potential asset of Council in the amount by which any return from this security exceeds their \$Nil book value.

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

(iv) Premeasure Insurance Pool

At 30 June 2013, Council disclosed its continuing membership of the Premeasure Insurance Pool on Note 19 noting it holds a \$Nil equity interest.

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 financial year ended 30 June 2013

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

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

Subsidiaries	Note 19(a)
Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%	
Associated Entities & Joint Venture Entities	Note 19(b)
Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.	
Joint Venture Operations	Note 19(c)
Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.	
Subsidiaries, Associated Entities and Joint Ventures Not Recognised	Note 19(d)

(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

(b) Associated Entities & Joint Venture Entities

Council remains a member of the Premsure Insurance Pool but has a \$Nil equity interest.

(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

None.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		499,483	502,780
a. Correction of Prior Period Errors	20 (c)	(465)	(4,650)
b. Net Operating Result for the Year		2,917	888
Balance at End of the Reporting Period		<u>501,935</u>	<u>499,018</u>

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		153,583	110,997
Total		<u>153,583</u>	<u>110,997</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		110,997	106,812
- Revaluations for the year	9(a)	42,586	-
- Correction of Prior Period Errors	20(c)	-	4,185
- Balance at End of Year		<u>153,583</u>	<u>110,997</u>

TOTAL VALUE OF RESERVES

<u>153,583</u>	<u>110,997</u>
-----------------------	-----------------------

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Correction of Error/s relating to a Previous Reporting Period			
Correction of errors disclosed in this year's financial statements:			
When completing the revaluation of Operational Land and Investment Properties in 2011, Council made an incorrect attribution of land to Investment Properties. Consequently, the value of Investment Property has had to be reduced and the value of Operational Land increased. The net reduction in value of \$465k arises from the different valuation methodologies used for each class of asset.			
- Operational Land increase/(decrease) to Fair Value		4,185	-
- Asset Revaluation Reserve (increase)/decrease		(4,185)	-
- Investment Properties increase/(decrease) to Fair Value		(4,650)	-
- Retained Earnings (increase)/decrease		4,650	-
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/11 (relating to adjustments for the 30/6/11 reporting year end and prior periods)		-	-
- Adjustments to Closing Equity - 30/6/12 (relating to adjustments for the 30/6/12 year end)		(465)	-
Total Prior Period Adjustments - Prior Period Errors		(465)	-

(d) Voluntary Changes in Accounting Policies

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

Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000

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

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) 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 24/09/13.

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 2013.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2013 and which are only indicative of conditions that arose after 30 June 2013.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, Rehabilitation & 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 financial year ended 30 June 2013

Note 27. Council Information & Contact Details

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: www.woollahra.nsw.gov.au

Email: records@woollahra.nsw.gov.au

Officers

GENERAL MANAGER

Gary James

RESPONSIBLE ACCOUNTING OFFICER

Don Johnston, Manager Finance

PUBLIC OFFICER

Stephen Dunshea, Director Corporate Services

AUDITORS

Hill Rogers Spencer Steer

Elected Members

MAYOR

Toni Zeltzer

COUNCILLORS

Ted Bennett

Anthony Boskovitz

Peter Cavanagh

Luise Elsing

Elena Kirillova

Greg Levenston

Anthony Marano

Katherine O'Regan

Andrew Petrie

Matthew Robertson

Deborah Thomas

Elena Wise

Susan Wynne

Jeff Zulman

Other Information

ABN: 32 218 483 245

WOOLLAHRA MUNICIPAL COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying **general purpose financial statements** of **Woollahra Municipal Council**, which comprises the Statement of Financial Position as at 30 June 2013, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the infrastructure backlog and asset maintenance ratios disclosed in Note 13 or the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

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

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

Independence

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

Auditor's Opinion

In our opinion,

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

HILL ROGERS SPENCER STEER



Gary Mottau
Partner

Dated at Sydney this 24th day of September 2013

24 September 2013

The Mayor
Woollahra Municipal Council
PO Box 61
DOUBLE BAY NSW 2028

Mayor,

Audit Report - Year Ended 30 June 2013

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2013 and that all information required by us was readily available. We have signed our report as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on the General Purpose Financial Statements of the Council. We have ensured that the accounts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) and the Local Government Code of Accounting Practice and Financial Reporting.

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

I. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$2.917 million as compared with \$888,000 in the previous year.

Assurance Partners

T. +61 2 9232 5111
F. +61 2 9233 7950

Level 5, 1 Chifley Square
Sydney NSW 2000 Australia

GPO Box 7066
Sydney NSW 2001

www.hr-ss.com.au
info@hr-ss.com.au

Practising as Hill Rogers Spencer
Steer Assurance Partners

ABN 56 435 338 966

The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2013	% of	2012	% of	Increase
	Total		Total		(Decrease)
	\$'000		\$'000		\$'000
Revenues before capital items					
Rates & annual charges	44,359	62%	41,885	62%	2,474
User charges, fees & other revenues	20,969	29%	19,109	28%	1,860
Grants & contributions provided for operating purposes	3,120	4%	3,515	5%	(395)
Interest & investment revenue	3,774	5%	2,932	4%	842
	72,222	100%	67,441	100%	4,781
Expenses					
Employee benefits & costs	32,936	45%	32,425	46%	511
Materials, contracts & other expenses	29,939	41%	26,951	38%	2,988
Depreciation, amortisation & impairment	10,347	14%	10,290	15%	57
Borrowing costs	439	1%	507	1%	(68)
	73,661	100%	70,173	100%	3,488
Surplus/(Deficit) before capital items	(1,439)		(2,732)		1,293
Grants & contributions provided for capital purposes	4,356		3,620		736
Net Surplus/(Deficit) for the year	2,917		888		2,029

The table above shows an overall increase over the previous year of \$2.029 million and is largely attributable to an increase in other revenues of \$1.592 million, including \$850,000 resulting from the revaluation of investment properties.

Levies of rates and annual charges increased by \$2.474 million and accounted for 61% of Council's operating revenue before capital receipts.

1.2 Funding Result

The operating result does not take into account all revenues and all expenditures and in reviewing the overall financial performance of Council it is useful to take into account the total source of revenues and where they were spent during the year which is illustrated in the table below.

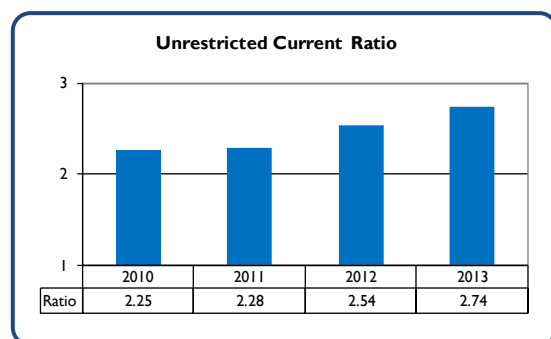
	2013	2012
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	2,917	888
Add back non funding items:-		
- Depreciation, amortisation & impairment	10,347	10,290
- Book value of non-current assets sold	3,059	2,370
- (Gain)/Loss of fair value to investment properties	(850)	0
	15,473	13,548
Decrease/Redemption in Non-current Investments	0	1,000
Transfers from externally restricted assets (net)	922	238
Net Changes in current/non-current assets & liabilities	177	826
	16,572	15,612
Funds were applied to:-		
Purchase and construction of assets	(14,712)	(12,140)
Principal repaid on loans	(944)	(873)
Transfers to internal reserves (net)	(963)	(3,588)
	(16,619)	(16,601)
Increase/(Decrease) in Available Working Capital	(47)	(989)

2. FINANCIAL POSITION

2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$21.325 million representing a factor of 2.74 to 1.



2.2 Available Working Capital – (Working Funds)

A more meaningful financial indicator specific to local government is the level of **Available Working Capital**. Net Current Assets are adjusted by eliminating both external and internal restrictions held for future purposes.

At the close of the year Available Working Capital stood at \$2.568 million as detailed below;

	2013	2012	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	13,550	13,836	(286)
Add: Payables & provisions not expected to be realised in the next 12 months included above	14,623	13,916	707
Adjusted Net Current Assets	28,173	27,752	421
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,016	944	72
- Employees leave entitlements	3,225	3,736	(511)
- Security bonds & retention moneys	4,659	4,649	10
Less: Externally restricted assets	(6,847)	(7,771)	924
Less: Internally restricted assets	(27,658)	(26,695)	(963)
Available Working Capital as at 30 June	2,568	2,615	(47)

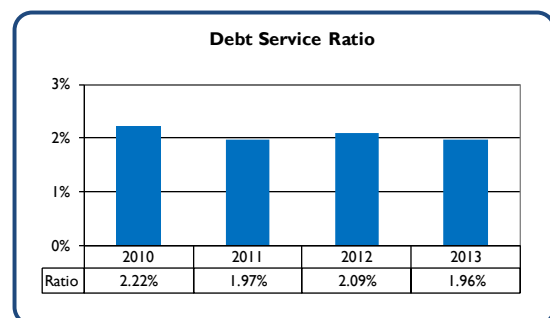
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside, we are of the opinion that Available Working Capital as at 30 June 2013 was adequate.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 1.96%.

Principal and interest paid was \$1.383 million leaving total debt as at 30 June 2013 at \$5.035 million.



2.4 Summary

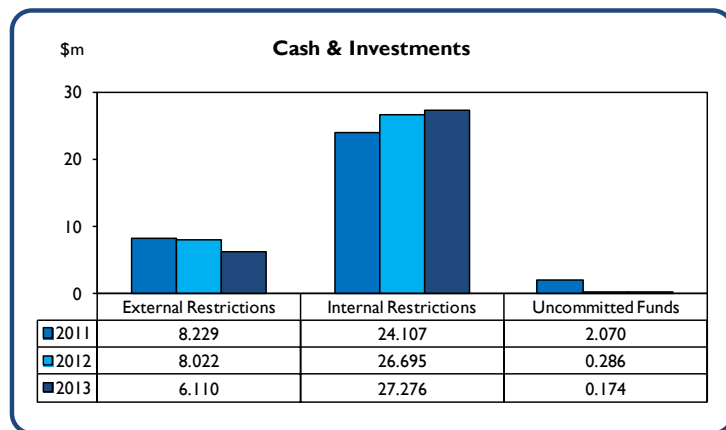
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$33.560 million at the close of the year as compared with \$35.003 million in 2012 and \$34.406 million in 2011.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$4.052 million), infrastructure, stormwater management & environmental levies (\$950,000), domestic waste management charges (\$1.013 million) and specific purpose grants (\$95,000).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These reserves totalled \$27.276 million.

Unrestricted cash and investments amounted to \$174,000.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that funds decreased by \$2.298 million to \$5.403 million at the close of the year.

In addition to operating activities which contributed net cash of \$11.712 million were the proceeds from the sale of investment securities (\$57.086 million) and sale of property, plant and equipment (\$1.410 million). Cash outflows other than operating activities were used to purchase investments securities (\$56 million), repay loans (\$944,000) and to purchase and construct assets (\$15.562 million).

4. RECEIVABLES

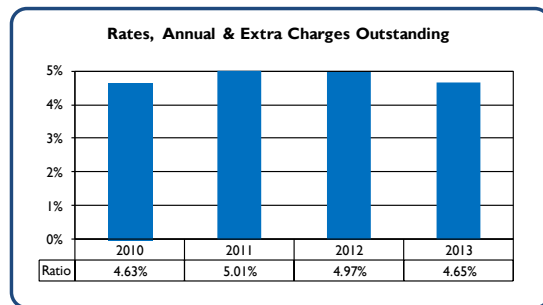
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$44.359 million and represented 58% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$46.217 million of which \$44.350 million (96%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$2.172 million at the end of the year and represented 4.65% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$4.670 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$81,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$9.732 million. The cash reserve of \$1.160 million represented 11.92%.

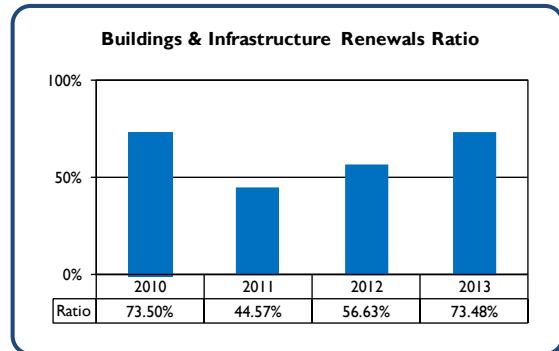
5.2 Deposits, Retentions & Bonds

Deposits, Retentions and Bonds held at year end amounted to \$12.988 million. Internally restricted cash and investments of \$8.775 million were held at year end representing 67.56% of this liability and are more than adequate to meet anticipated repayments in the near future.

6. BUILDING AND INFRASTRUCTURE RENEWALS

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

The ratio indicates that asset renewals for 2013 represented 73% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 27 March 2013 and this included management's responses to our suggestions on possible ways to strengthen and/or improve procedures.

8. CONCLUSION

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

Yours faithfully,

HILL ROGERS SPENCER STEER

GARY MOTTAU
Partner

Woollahra Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

*"...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 financial year ended 30 June 2013

Council has not formally declared any operations as Business Activities for NCP purposes

Woollahra Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2013

*"...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 financial year ended 30 June 2013

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	5
- Special Schedule No. 8	Financial Projections	7

¹ Special Purpose Schedules are not audited.

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,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (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 No. 1 - Net Cost of Services

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	2,889	9	-	(2,880)
Administration	19,746	1,686	25	(18,035)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	2,896	-	-	(2,896)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	2,555	7,389	-	4,834
Animal Control	121	28	-	(93)
Other	-	-	-	-
Total Public Order & Safety	5,572	7,417	-	1,845
Health	340	91	-	(249)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	1,386	605	-	(781)
Solid Waste Management	8,829	12,261	-	3,432
Street Cleaning	1,952	72	-	(1,880)
Drainage	80	485	616	1,021
Stormwater Management	-	-	-	-
Total Environment	12,247	13,423	616	1,792
Community Services and Education				
Administration & Education	2,747	342	-	(2,405)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	32	-	32
Children's Services	843	999	-	156
Total Community Services & Education	3,590	1,373	-	(2,217)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	1,453	321	-	(1,132)
Town Planning	5,025	1,534	1,618	(1,873)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	6,478	1,855	1,618	(3,005)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Woollahra Municipal Council

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

for the financial year ended 30 June 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	3,151	442	50	(2,659)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	-	-	18	18
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	5,619	655	1,194	(3,770)
Other Sport and Recreation	79	-	-	(79)
Total Recreation and Culture	8,849	1,097	1,262	(6,490)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,329	732	-	(597)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,329	732	-	(597)
Transport and Communication				
Urban Roads (UR) - Local	5,818	3,361	585	(1,872)
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	1,004	1,017	-	13
Footpaths	-	-	-	-
Aerodromes	-	-	-	-
Other Transport & Communication	4,978	1,402	-	(3,576)
Total Transport and Communication	11,800	5,780	585	(5,435)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	821	3,557	250	2,986
Total Economic Affairs	821	3,557	250	2,986
Totals – Functions	73,661	37,020	4,356	(32,285)
General Purpose Revenues⁽²⁾		35,202		35,202
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	73,661	72,222	4,356	2,917

(1) As reported in the Income Statement

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

Woollahra Municipal Council

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

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	944	5,035	5,979	-	944	-	-	439	1,016	4,019	5,035
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	944	5,035	5,979	-	944	-	-	439	1,016	4,019	5,035
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	944	5,035	5,979	-	944	-	-	439	1,016	4,019	5,035

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

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

Woollahra Municipal Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	76,578	76,203	88,775	87,710	90,071	92,456	95,386	98,380	101,139	103,925	106,572
Expenses from continuing operations	73,661	75,605	82,934	88,867	90,744	92,277	95,489	98,053	101,282	103,566	106,719
Operating Result from Continuing Operations	2,917	598	5,841	(1,157)	(673)	179	(103)	327	(143)	359	(147)
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	-	59,068	41,950	-	-	11,000	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	14,712	13,452	11,644	12,430	13,070	13,027	13,642	14,442	15,885	17,193	15,009
Total Capital Budget	14,712	72,520	53,594	12,430	13,070	24,027	13,642	14,442	15,885	17,193	15,009
Funded by:											
- Loans	-	60,350	29,500	-	-	-	-	-	-	-	-
- Asset sales	1,483	730	1,085	1,477	1,474	1,307	1,460	1,614	1,615	1,787	1,517
- Reserves	3,201	842	11,153	123	605	11,437	522	1,011	486	1,096	404
- Grants/Contributions	2,117	2,455	3,102	1,453	1,540	1,553	1,567	1,580	1,595	1,609	1,624
- Recurrent revenue	4,535	4,225	4,347	4,473	4,602	4,735	4,873	5,015	5,162	5,313	5,470
- Other	3,376	3,918	4,407	4,904	4,849	4,995	5,220	5,222	7,027	7,388	5,994
	14,712	72,520	53,594	12,430	13,070	24,027	13,642	14,442	15,885	17,193	15,009

Notes:

(1) From 12/13 Income Statement.

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

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