

# Woollahra Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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



# Woollahra Municipal Council

## General Purpose Financial Statements

for the financial year ended 30 June 2014

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for 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 & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 15 October 2014. Council has the power to amend and reissue these financial statements.
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## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

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

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

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

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

#### 5. The Statement of Cash Flows

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

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

### Who uses the Financial Statements

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

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

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

# Woollahra Municipal Council

## General Purpose Financial Statements for the financial year ended 30 June 2014

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 07 October 2014.**



Toni Zeltzer  
MAYOR



Deborah Thomas  
COUNCILLOR



Gary James  
GENERAL MANAGER



Don Johnston, Chief Financial Officer  
RESPONSIBLE ACCOUNTING OFFICER

# Woollahra Municipal Council

## Income Statement

for the financial year ended 30 June 2014

| Budget <sup>1</sup><br>2014                | \$ '000  | Notes | Actual<br>2014     | Actual<br>2013 |
|--|--|-------|--------------------|----------------|
| <b>Income from Continuing Operations</b>   |  |       |                    |                |
| <b>Revenue:</b>                            |  |       |                    |                |
| 46,671                                     | Rates & Annual Charges   | 3a    | 46,738             | 44,359         |
| 9,856                                      | User Charges & Fees  | 3b    | 9,768              | 8,939          |
| 1,634                                      | Interest & Investment Revenue  | 3c    | 2,066              | 3,774          |
| 12,754                                     | Other Revenues   | 3d    | 11,134             | 12,030         |
| 2,836                                      | Grants & Contributions provided for Operating Purposes   | 3e,f  | 2,501 <sup>2</sup> | 3,120          |
| 2,452                                      | Grants & Contributions provided for Capital Purposes   | 3e,f  | 3,364              | 4,356          |
| <b>Other Income:</b>                       |  |       |                    |                |
| -  | Net Share of interests in Joint Ventures & Associated Entities using the equity method                 | 19    | -                  | -              |
| <b>76,203</b>                              | <b>Total Income from Continuing Operations</b>   |       | <b>75,571</b>      | <b>76,578</b>  |
| <b>Expenses from Continuing Operations</b> |  |       |                    |                |
| 33,671                                     | Employee Benefits & On-Costs   | 4a    | 34,867             | 32,936         |
| 1,495                                      | Borrowing Costs  | 4b    | 677                | 439            |
| 13,451                                     | Materials & Contracts  | 4c    | 14,443             | 13,395         |
| 10,325                                     | Depreciation & Amortisation  | 4d    | 10,254             | 10,347         |
| -  | Impairment   | 4d    | -                  | -              |
| 15,912                                     | Other Expenses   | 4e    | 15,447             | 15,089         |
| 751  | Net Losses from the Disposal of Assets   | 5     | 2,780              | 1,455          |
| <b>75,605</b>                              | <b>Total Expenses from Continuing Operations</b>   |       | <b>78,468</b>      | <b>73,661</b>  |
| <b>598</b>                                 | <b>Operating Result from Continuing Operations</b>   |       | <b>(2,897)</b>     | <b>2,917</b>   |
| <b>Discontinued Operations</b>             |  |       |                    |                |
| -  | Net Profit/(Loss) from Discontinued Operations   | 24    | -                  | -              |
| <b>598</b>                                 | <b>Net Operating Result for the Year</b>   |       | <b>(2,897)</b>     | <b>2,917</b>   |
| 598  | Net Operating Result attributable to Council   |       | (2,897)            | 2,917          |
| -  | Net Operating Result attributable to Non-controlling Interests   |       | -                  | -              |
| <b>(1,854)</b>                             | <b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b> |       | <b>(6,261)</b>     | <b>(1,439)</b> |

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

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

## Woollahra Municipal Council

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

| \$ '000  | Notes    | Actual<br>2014 | Actual<br>2013 |
|--|----------|----------------|----------------|
| <b>Net Operating Result for the year</b> (as per Income statement)                                       |          | <b>(2,897)</b> | <b>2,917</b>   |
| <b>Other Comprehensive Income:</b>   |          |                |                |
| Amounts which will not be reclassified subsequently to the Operating Result                              |          |                |                |
| Gain (loss) on revaluation of I,PP&E   | 20b (ii) | 16,610         | 42,586         |
| <b>Total Items which will not be reclassified subsequently to the Operating Result</b>                   |          | <b>16,610</b>  | <b>42,586</b>  |
| Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met |          |                |                |
| Nil  |          |                |                |
| <b>Total Other Comprehensive Income for the year</b>   |          | <b>16,610</b>  | <b>42,586</b>  |
| <b>Total Comprehensive Income for the Year</b>   |          | <b>13,713</b>  | <b>45,503</b>  |
| <b>Total Comprehensive Income attributable to Council</b>  |          | <b>13,713</b>  | <b>45,503</b>  |
| <b>Total Comprehensive Income attributable to Non-controlling Interests</b>                              |          | <b>-</b>       | <b>-</b>       |

# Woollahra Municipal Council

## Statement of Financial Position as at 30 June 2014

| \$ '000   | Notes | Actual<br>2014 | Actual<br>2013 |
|---|-------|----------------|----------------|
| <b>ASSETS</b>                                     |       |                |                |
| <b>Current Assets</b>                             |       |                |                |
| Cash & Cash Equivalents                           | 6a    | 9,478          | 5,403          |
| Investments                                       | 6b    | 24,163         | 28,157         |
| Receivables                                       | 7     | 12,548         | 6,660          |
| Inventories                                       | 8     | 168            | 220            |
| Other   | 8     | 175            | 941            |
| Non-current assets classified as "held for sale"  | 22    | 65,100         | -              |
| <b>Total Current Assets</b>                       |       | <b>111,632</b> | <b>41,381</b>  |
| <b>Non-Current Assets</b>                         |       |                |                |
| Investments                                       | 6b    | -              | -              |
| Receivables                                       | 7     | 104            | 101            |
| Inventories                                       | 8     | -              | -              |
| Infrastructure, Property, Plant & Equipment       | 9     | 563,437        | 630,824        |
| Investments accounted for using the equity method | 19    | -              | -              |
| Investment Property                               | 14    | 89,350         | 15,275         |
| Intangible Assets                                 | 25    | -              | -              |
| <b>Total Non-Current Assets</b>                   |       | <b>652,891</b> | <b>646,200</b> |
| <b>TOTAL ASSETS</b>                               |       | <b>764,523</b> | <b>687,581</b> |
| <b>LIABILITIES</b>                                |       |                |                |
| <b>Current Liabilities</b>                        |       |                |                |
| Payables  | 10    | 20,389         | 17,296         |
| Borrowings  | 10    | 1,257          | 1,016          |
| Provisions  | 10    | 10,330         | 9,519          |
| <b>Total Current Liabilities</b>                  |       | <b>31,976</b>  | <b>27,831</b>  |
| <b>Non-Current Liabilities</b>                    |       |                |                |
| Payables  | 10    | -              | -              |
| Borrowings  | 10    | 63,113         | 4,019          |
| Provisions  | 10    | 203            | 213            |
| <b>Total Non-Current Liabilities</b>              |       | <b>63,316</b>  | <b>4,232</b>   |
| <b>TOTAL LIABILITIES</b>                          |       | <b>95,292</b>  | <b>32,063</b>  |
| <b>Net Assets</b>                                 |       | <b>669,231</b> | <b>655,518</b> |
| <b>EQUITY</b>                                     |       |                |                |
| Retained Earnings                                 | 20    | 499,038        | 501,935        |
| Revaluation Reserves                              | 20    | 170,193        | 153,583        |
| Council Equity Interest                           |       | 669,231        | 655,518        |
| Non-controlling Interests                         |       | -              | -              |
| <b>Total Equity</b>                               |       | <b>669,231</b> | <b>655,518</b> |

## Woollahra Municipal Council

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

| \$ '000  | Notes    | Retained<br>Earnings | Reserves<br>(Refer 20b) | Council<br>Interest | Non-<br>controlling<br>Interest | Total<br>Equity |
|--|----------|----------------------|-------------------------|---------------------|---------------------------------|-----------------|
| <b>2014</b>  |          |                      |                         |                     |                                 |                 |
| <b>Opening Balance</b> (as per Last Year's Audited Accounts)       |          | 501,935              | 153,583                 | 655,518             | -                               | 655,518         |
| a. Correction of Prior Period Errors                               | 20 (c)   | -                    | -                       | -                   | -                               | -               |
| b. Changes in Accounting Policies (prior year effects)             | 20 (d)   | -                    | -                       | -                   | -                               | -               |
| <b>Revised Opening Balance (as at 1/7/13)</b>                      |          | <b>501,935</b>       | <b>153,583</b>          | <b>655,518</b>      | <b>-</b>                        | <b>655,518</b>  |
| <b>c. Net Operating Result for the Year</b>                        |          | <b>(2,897)</b>       | <b>-</b>                | <b>(2,897)</b>      | <b>-</b>                        | <b>(2,897)</b>  |
| <b>d. Other Comprehensive Income</b>                               |          |                      |                         |                     |                                 |                 |
| - Revaluations : IPP&E Asset Revaluation Rsve                      | 20b (ii) | -                    | 16,610                  | 16,610              | -                               | 16,610          |
| - Revaluations: Other Reserves                                     | 20b (ii) | -                    | -                       | -                   | -                               | -               |
| - Transfers to Income Statement                                    | 20b (ii) | -                    | -                       | -                   | -                               | -               |
| - Impairment (loss) reversal relating to I,PP&E                    | 20b (ii) | -                    | -                       | -                   | -                               | -               |
| <b>Other Comprehensive Income</b>                                  |          | <b>-</b>             | <b>16,610</b>           | <b>16,610</b>       | <b>-</b>                        | <b>16,610</b>   |
| <b>Total Comprehensive Income (c&amp;d)</b>                        |          | <b>(2,897)</b>       | <b>16,610</b>           | <b>13,713</b>       | <b>-</b>                        | <b>13,713</b>   |
| e. Distributions to/(Contributions from) Non-controlling Interests |          | -                    | -                       | -                   | -                               | -               |
| f. Transfers between Equity  |          | -                    | -                       | -                   | -                               | -               |
| <b>Equity - Balance at end of the reporting period</b>             |          | <b>499,038</b>       | <b>170,193</b>          | <b>669,231</b>      | <b>-</b>                        | <b>669,231</b>  |

| \$ '000  | Notes    | Retained<br>Earnings | Reserves<br>(Refer 20b) | Council<br>Interest | Non-<br>controlling<br>Interest | Total<br>Equity |
|--|----------|----------------------|-------------------------|---------------------|---------------------------------|-----------------|
| <b>2013</b>  |          |                      |                         |                     |                                 |                 |
| <b>Opening Balance</b> (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)   | -                    | -                       | -                   | -                               | -               |
| <b>Revised Opening Balance (as at 1/7/12)</b>                      |          | <b>499,018</b>       | <b>110,997</b>          | <b>610,015</b>      | <b>-</b>                        | <b>610,015</b>  |
| <b>c. Net Operating Result for the Year</b>                        |          | <b>2,917</b>         | <b>-</b>                | <b>2,917</b>        | <b>-</b>                        | <b>2,917</b>    |
| <b>d. Other Comprehensive Income</b>                               |          |                      |                         |                     |                                 |                 |
| - Revaluations : IPP&E Asset Revaluation Rsve                      | 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) | -                    | -                       | -                   | -                               | -               |
| <b>Other Comprehensive Income</b>                                  |          | <b>-</b>             | <b>42,586</b>           | <b>42,586</b>       | <b>-</b>                        | <b>42,586</b>   |
| <b>Total Comprehensive Income (c&amp;d)</b>                        |          | <b>2,917</b>         | <b>42,586</b>           | <b>45,503</b>       | <b>-</b>                        | <b>45,503</b>   |
| e. Distributions to/(Contributions from) Non-controlling Interests |          | -                    | -                       | -                   | -                               | -               |
| f. Transfers between Equity  |          | -                    | -                       | -                   | -                               | -               |
| <b>Equity - Balance at end of the reporting period</b>             |          | <b>501,935</b>       | <b>153,583</b>          | <b>655,518</b>      | <b>-</b>                        | <b>655,518</b>  |



## Woollahra Municipal Council

### Statement of Cash Flows

for the financial year ended 30 June 2014

| Budget<br>2014                              | \$ '000   | Notes | Actual<br>2014  | Actual<br>2013  |
|---|---|-------|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b> |   |       |                 |                 |
| <b>Receipts:</b>                            |   |       |                 |                 |
| 46,519                                      | Rates & Annual Charges  |       | 46,669          | 44,354          |
| 10,467                                      | User Charges & Fees   |       | 10,858          | 9,354           |
| 1,624                                       | Investment & Interest Revenue Received                        |       | 1,584           | 2,007           |
| 5,683                                       | Grants & Contributions  |       | 6,429           | 7,322           |
| -   | Bonds, Deposits & Retention amounts received                  |       | 4,815           | 3,746           |
| 14,637                                      | Other   |       | 15,805          | 14,125          |
| <b>Payments:</b>                            |   |       |                 |                 |
| (32,928)                                    | Employee Benefits & On-Costs                                  |       | (34,086)        | (32,956)        |
| (14,800)                                    | Materials & Contracts   |       | (15,508)        | (14,175)        |
| (1,498)                                     | Borrowing Costs   |       | (671)           | (442)           |
| -   | Bonds, Deposits & Retention amounts refunded                  |       | (3,763)         | (3,827)         |
| (17,503)                                    | Other   |       | (22,898)        | (17,796)        |
| <b>12,201</b>                               | <b>Net Cash provided (or used in) Operating Activities</b>    | 11b   | <b>9,234</b>    | <b>11,712</b>   |
| <b>Cash Flows from Investing Activities</b> |   |       |                 |                 |
| <b>Receipts:</b>                            |   |       |                 |                 |
| -   | Sale of Investment Securities                                 |       | 42,972          | 57,086          |
| 1,294                                       | Sale of Infrastructure, Property, Plant & Equipment           |       | 1,091           | 1,410           |
| <b>Payments:</b>                            |   |       |                 |                 |
| -   | Purchase of Investment Securities                             |       | (38,500)        | (56,000)        |
| -   | Purchase of Investment Property                               |       | (58,250)        | -               |
| (72,520)                                    | Purchase of Infrastructure, Property, Plant & Equipment       |       | (11,807)        | (15,562)        |
| <b>(71,226)</b>                             | <b>Net Cash provided (or used in) Investing Activities</b>    |       | <b>(64,494)</b> | <b>(13,066)</b> |
| <b>Cash Flows from Financing Activities</b> |   |       |                 |                 |
| <b>Receipts:</b>                            |   |       |                 |                 |
| 60,350                                      | Proceeds from Borrowings & Advances                           |       | 60,350          | -               |
| <b>Payments:</b>                            |   |       |                 |                 |
| (1,016)                                     | Repayment of Borrowings & Advances                            |       | (1,015)         | (944)           |
| <b>59,334</b>                               | <b>Net Cash Flow provided (used in) Financing Activities</b>  |       | <b>59,335</b>   | <b>(944)</b>    |
| <b>309</b>                                  | <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b> |       | <b>4,075</b>    | <b>(2,298)</b>  |
| 28,048                                      | plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>  | 11a   | 5,403           | 7,701           |
| <b>28,357</b>                               | <b>Cash &amp; Cash Equivalents - end of the year</b>          | 11a   | <b>9,478</b>    | <b>5,403</b>    |
| Additional Information:                     |   |       |                 |                 |
|   | plus: <b>Investments on hand - end of year</b>                | 6b    | 24,163          | 28,157          |
|   | <b>Total Cash, Cash Equivalents &amp; Investments</b>         |       | <b>33,641</b>   | <b>33,560</b>   |

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 2014

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n/a - not applicable

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

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

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

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

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

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

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

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### (v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

##### (vi) Changes in Accounting Policies

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

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

##### (vii) Critical Accounting Estimates

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

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

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

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

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

##### (b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

#### User Charges, Fees and Other Income

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

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

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Other Income

Other income is recognised as revenue when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

#### (c) Principles of Consolidation

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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*

##### (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.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

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

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

#### Operating Leases

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

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

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

#### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

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

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

#### (f) Investments and Other Financial Assets

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

- **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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

##### (iv) Available-for-sale financial assets

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

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

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

##### Financial Assets – Reclassification

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

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

Council may also choose to reclassify financial assets that would meet the definition of loans and

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

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

##### Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

##### (iii) Types of Investments

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

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

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 2014, consistent with 2013, are:

|      |                              |
|------|------------------------------|
| FRNs | Independent Market Valuation |
| MBSs | Bid Price                    |

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### (h) Receivables

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

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

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

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

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

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

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

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

##### (i) Inventories

###### Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

###### Land Held for Resale/Capitalisation of Borrowing Costs

See paragraph (p).

##### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

###### Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their Fair Value;

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### - Other Assets

(as approximated by depreciated historical cost)

##### Initial Recognition

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

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

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

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

##### Subsequent costs

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

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

##### Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.

- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

##### Capitalisation Thresholds

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

|                    |                  |
|--------------------|------------------|
| <b>Land</b>        |                  |
| - 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

|                           |                  |
|---------------------------|------------------|
| <b>Building</b>           |                  |
| - 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 |
|--|------------------|

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### Depreciation

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

Land is not depreciated.

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

##### Plant and Equipment

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

##### Buildings

|             |                 |
|-------------|-----------------|
| - Buildings | 25 to 100 years |
|-------------|-----------------|

##### 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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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.

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

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

##### (q) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

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

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

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

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

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

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



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

##### (r) Payables

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

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

##### (s) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

##### (t) Borrowing costs

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

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

##### (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.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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

##### (ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be 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. The valuation is done every 3 years and the next valuation will cover the period ending in 30/06/16.

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

Effective from 1 July 2009, employers 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 2014 was \$ 850,075.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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 \$1,285,468 as at 30 June 2014.

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

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

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

#### Defined Contribution Plans

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

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

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

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

#### (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.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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.

#### **(z) New accounting standards and interpretations**

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

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

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

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

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

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

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

When adopted, the standard will affect in particular Council's accounting for its available-for-sale

financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

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

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

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

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

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

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

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

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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.

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

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

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

None

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

## Woollahra Municipal Council

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

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

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##### **(ac) Rounding of amounts**

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

##### **(ad) Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### **(ae) 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 2014

### Note 2(a). Council Functions / Activities - Financial Information

| Functions/Activities   | Income, Expenses and Assets have been directly attributed to the following Functions / Activities.<br>Details of these Functions/Activities are provided in Note 2(b). |               |               |                                     |               |               |   |                 |                 |  |              |   |                |
|--|--|---------------|---------------|-------------------------------------|---------------|---------------|---|-----------------|-----------------|--|--------------|---|----------------|
|  | Income from Continuing Operations  |               |               | Expenses from Continuing Operations |               |               | Operating Result from Continuing Operations |                 |                 | Grants included in Income from Continuing Operations |              | Total Assets held (Current & Non-current) |                |
|  | Original Budget 2014   | Actual 2014   | Actual 2013   | Original Budget 2014                | Actual 2014   | Actual 2013   | Original Budget 2014                        | Actual 2014     | Actual 2013     | Actual 2014  | Actual 2013  | Actual 2014                               | Actual 2013    |
|  |  |               |               |                                     |               |               |   |                 |                 |  |              |   |                |
| <b>Governance</b>  | 25   | 20            | 9             | 2,681                               | 2,788         | 2,889         | (2,656)                                     | (2,768)         | (2,880)         | -  | -            | -   | -              |
| A connected and harmonious community   | 39   | 16            | 42            | 986                                 | 586           | 902           | (947)                                       | (570)           | (860)           | 21   | 36           | 4,061                                     | 4,228          |
| A supported community  | 1,074  | 991           | 1,092         | 2,020                               | 2,141         | 1,954         | (946)                                       | (1,150)         | (862)           | 200  | 198          | 2,278                                     | 1,749          |
| A creative and vibrant community   | 532  | 534           | 560           | 3,831                               | 4,159         | 3,566         | (3,299)                                     | (3,625)         | (3,006)         | 146  | 195          | 4,887                                     | 5,257          |
| Well planned neighbourhoods  | 2,349  | 2,234         | 2,113         | 6,269                               | 5,685         | 6,274         | (3,920)                                     | (3,451)         | (4,161)         | -  | -            | 796                                       | 767            |
| Liveable places  | 3,631  | 6,062         | 5,074         | 21,216                              | 22,348        | 20,804        | (17,585)                                    | (16,286)        | (15,730)        | 880  | 2,520        | 430,752                                   | 444,257        |
| Getting around   | 8,836  | 8,150         | 8,629         | 3,880                               | 3,795         | 3,691         | 4,956                                       | 4,355           | 4,938           | 283  | -            | 48,366                                    | 76,958         |
| Protecting our environment   | 1  | 279           | 102           | 1,259                               | 1,793         | 1,232         | (1,258)                                     | (1,514)         | (1,130)         | 35   | 88           | 33,618                                    | 32,356         |
| Sustainable use of resources   | 13,669   | 13,855        | 12,759        | 9,703                               | 9,962         | 9,776         | 3,966                                       | 3,893           | 2,983           | 277  | 482          | 2,341                                     | 2,685          |
| Community focused economic developm't  | 1,846  | 759           | 17            | 4,072                               | 2,400         | 2,435         | (2,226)                                     | (1,641)         | (2,418)         | 100  | -            | 83,315                                    | 1,181          |
| Working together   | -  | 20            | -             | 600                                 | 710           | 633           | (600)                                       | (690)           | (633)           | -  | -            | 38  | 7,189          |
| Well managed Council   | 9,838  | 8,691         | 10,979        | 19,088                              | 22,101        | 19,505        | (9,250)                                     | (13,410)        | (8,526)         | 370  | 70           | 117,849                                   | 74,887         |
| <b>Total Functions &amp; Activities</b>  | <b>41,840</b>  | <b>41,611</b> | <b>41,376</b> | <b>75,605</b>                       | <b>78,468</b> | <b>73,661</b> | <b>(33,765)</b>                             | <b>(36,857)</b> | <b>(32,285)</b> | <b>2,312</b>   | <b>3,589</b> | <b>728,301</b>                            | <b>651,514</b> |
| Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method) | -  | -             | -             | -                                   | -             | -             | -   | -               | -               | -  | -            | -   | -              |
| General Purpose Income <sup>1</sup>  | 34,363   | 33,960        | 35,202        | -                                   | -             | -             | 34,363                                      | 33,960          | 35,202          | 896  | 1,624        | 36,222                                    | 36,067         |
| <b>Operating Result from Continuing Operations</b>                               | <b>76,203</b>  | <b>75,571</b> | <b>76,578</b> | <b>75,605</b>                       | <b>78,468</b> | <b>73,661</b> | <b>598</b>                                  | <b>(2,897)</b>  | <b>2,917</b>    | <b>3,208</b>   | <b>5,213</b> | <b>764,523</b>                            | <b>687,581</b> |

1. Includes: Ordinary Rates (Note 3a), Ex-Gratia Rates (Note 3d), Untied General Purpose Grants (Note 3e) & Unrestricted Interest & Investment Income (Note 3c).

## Woollahra Municipal Council

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

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

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

##### **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 2014

#### Note 3. Income from Continuing Operations

| \$ '000  | Notes | Actual<br>2014       | Actual<br>2013       |
|--|-------|----------------------|----------------------|
| <b>(a) Rates &amp; Annual Charges</b>                                    |       |                      |                      |
| <b>Ordinary Rates</b>  |       |                      |                      |
| Residential  |       | 26,632               | 25,709               |
| Business   |       | 4,540                | 4,444                |
| <b>Total Ordinary Rates</b>  |       | <b>31,172</b>        | <b>30,153</b>        |
| <b>Special Rates</b>   |       |                      |                      |
| Environmental & Infrastructure Levy                                      |       | 3,622                | 3,506                |
| <b>Total Special Rates</b>   |       | <b>3,622</b>         | <b>3,506</b>         |
| <b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611) |       |                      |                      |
| Domestic Waste Management Services                                       |       | 11,412               | 10,171               |
| Stormwater Management Services   |       | 484                  | 485                  |
| Section 611 Charges  |       | 48                   | 44                   |
| <b>Total Annual Charges</b>  |       | <b>11,944</b>        | <b>10,700</b>        |
| <b><u>TOTAL RATES &amp; ANNUAL CHARGES</u></b>                           |       | <b><u>46,738</u></b> | <b><u>44,359</u></b> |

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | Notes | Actual<br>2014 | Actual<br>2013 |
|--|-------|----------------|----------------|
| <b>(b) User Charges &amp; Fees</b>   |       |                |                |
| <b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)         |       |                |                |
| Waste Management Services (non-domestic)   |       | 1,994          | 1,931          |
| <b>Total User Charges</b>  |       | <b>1,994</b>   | <b>1,931</b>   |
| <b>Other User Charges &amp; Fees</b>   |       |                |                |
| <b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608) |       |                |                |
| Advertising Fees   |       | 318            | 286            |
| Certificate Fees   |       | 736            | 612            |
| Compliance Levy  |       | 237            | 146            |
| Development Application Fees   |       | 544            | 488            |
| Hoarding Fees  |       | 132            | 65             |
| Inspection Fees  |       | 79             | 84             |
| Principal Certifying Authority Fees  |       | 40             | 29             |
| Registration Fees & Permits  |       | 202            | 162            |
| Section 96 Amendment Application Fees  |       | 189            | 187            |
| Subdivision Application Fees   |       | 7              | 10             |
| <b>Total Fees &amp; Charges - Statutory/Regulatory</b>                           |       | <b>2,484</b>   | <b>2,069</b>   |
| <b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)  |       |                |                |
| Casual Park Hire   |       | 73             | 71             |
| Construction Zone Charges  |       | 269            | 315            |
| Credit Card Usage Charge   |       | 112            | 101            |
| File Retrieval Charges   |       | 75             | 68             |
| Filming Fees   |       | 109            | 95             |
| Fire Safety Statement Lodgement Fee  |       | 90             | 77             |
| Footpath Crossing Administration Fees  |       | 75             | 57             |
| Mobile Bin & Crate Sales   |       | 4              | 2              |
| Parking Meters   |       | 1,763          | 1,716          |
| Parking Permits - Residential  |       | 332            | 343            |
| Pre DA Lodgement Advice Service Fees   |       | 22             | 24             |
| Preschool Fees   |       | 777            | 769            |
| Restoration Charges  |       | 1,207          | 1,015          |
| Tree Preservation Order Applications   |       | 53             | 47             |
| Tree Pruning Income  |       | 108            | 95             |
| Rezoning Requests  |       | 10             | -              |
| Other  |       | 211            | 144            |
| <b>Total Fees &amp; Charges - Other</b>  |       | <b>5,290</b>   | <b>4,939</b>   |
| <b>TOTAL USER CHARGES &amp; FEES</b>   |       | <b>9,768</b>   | <b>8,939</b>   |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | Notes | Actual<br>2014       | Actual<br>2013       |
|--|-------|----------------------|----------------------|
| <b>(c) Interest &amp; Investment Revenue (incl. losses)</b>                |       |                      |                      |
| <b>Interest &amp; Dividends</b>  |       |                      |                      |
| - Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates) |       | 162                  | 160                  |
| - Interest earned on Investments (interest & coupon payment income)        |       | 1,409                | 1,649                |
| - Interest Income (Other)  |       | 17                   | 24                   |
| <b>Fair Value Adjustments</b>  |       |                      |                      |
| - Fair Valuation movements in Investments (at FV or Held for Trading)      |       | 478                  | 1,941                |
| <b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>                      |       | <b><u>2,066</u></b>  | <b><u>3,774</u></b>  |
| <b>Interest Revenue is attributable to:</b>                                |       |                      |                      |
| <b>Unrestricted Investments/Financial Assets:</b>                          |       |                      |                      |
| Overdue Rates & Annual Charges (General Fund)                              |       | 162                  | 160                  |
| General Council Cash & Investments   |       | 919                  | 2,318                |
| <b>Restricted Investments/Funds - External:</b>                            |       |                      |                      |
| Development Contributions  |       |                      |                      |
| - Section 94 and Section 94A   |       | 193                  | 360                  |
| Other Externally Restricted Assets   |       | 80                   | 84                   |
| <b>Restricted Investments/Funds - Internal:</b>                            |       |                      |                      |
| Internally Restricted Assets   |       | 712                  | 852                  |
| <b>Total Interest &amp; Investment Revenue Recognised</b>                  |       | <b><u>2,066</u></b>  | <b><u>3,774</u></b>  |
| <b>(d) Other Revenues</b>  |       |                      |                      |
| Fair Value Adjustments - Investment Properties                             | 14    | (1,912)              | 850                  |
| Rental Income - Investment Properties                                      | 14    | 1,329                | 815                  |
| Rental Income - Other Council Properties                                   |       | 4,262                | 3,417                |
| Ex Gratia Rates  |       | 99                   | 95                   |
| Fines - Parking  |       | 5,561                | 5,169                |
| Fines - Other  |       | 357                  | 305                  |
| Private Use Contributions  |       | 373                  | 373                  |
| Recovered Costs & Reimbursements   |       | 666                  | 549                  |
| Recycling Income (non domestic)  |       | 64                   | 73                   |
| Risk Management Bonuses  |       | 94                   | 122                  |
| Other  |       | 241                  | 262                  |
| <b><u>TOTAL OTHER REVENUE</u></b>  |       | <b><u>11,134</u></b> | <b><u>12,030</u></b> |



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000   | 2014<br>Operating | 2013<br>Operating | 2014<br>Capital | 2013<br>Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| <b>(e) Grants</b>                               |                   |                   |                 |                 |
| <b>General Purpose (Untied)</b>                 |                   |                   |                 |                 |
| Financial Assistance - General Component        | 594               | 1,129             | -               | -               |
| Financial Assistance - Local Roads Component    | 209               | 403               | -               | -               |
| Pensioners' Rates Subsidies - General Component | 93                | 92                | -               | -               |
| <b>Total General Purpose</b>                    | <b>896</b>        | <b>1,624</b>      | <b>-</b>        | <b>-</b>        |

<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

#### Specific Purpose

##### Pensioners' Rates Subsidies:

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| - Domestic Waste Management                 | 48           | 44           | -            | -            |
| Community Care                              | 38           | 37           | -            | -            |
| Environmental Works                         | -            | -            | 540          | 420          |
| Library - Special Grant                     | 40           | 40           | -            | -            |
| Open Space                                  | -            | -            | 116          | 1,193        |
| Preschool                                   | 177          | 198          | -            | -            |
| State Library Subsidy                       | 105          | 105          | -            | -            |
| Street Lighting                             | 321          | 321          | -            | -            |
| Transport (Roads to Recovery)               | 194          | 194          | -            | -            |
| Transport (Other Roads & Bridges Funding)   | 277          | 138          | 217          | 459          |
| Drainage                                    | -            | -            | 27           | 196          |
| Sustainability                              | 70           | 126          | -            | -            |
| Local Infrastructure Renewal Scheme Subsidy | 6            | -            | -            | -            |
| Other                                       | 36           | 25           | 100          | 93           |
| <b>Total Specific Purpose</b>               | <b>1,312</b> | <b>1,228</b> | <b>1,000</b> | <b>2,361</b> |
| <b>Total Grants</b>                         | <b>2,208</b> | <b>2,852</b> | <b>1,000</b> | <b>2,361</b> |

#### Grant Revenue is attributable to:

|                        |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|
| - Commonwealth Funding | 997          | 1,726        | 361          | 530          |
| - State Funding        | 1,205        | 1,000        | 639          | 1,702        |
| - Other Funding        | 6            | 126          | -            | 129          |
|                        | <b>2,208</b> | <b>2,852</b> | <b>1,000</b> | <b>2,361</b> |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | 2014<br>Operating | 2013<br>Operating | 2014<br>Capital | 2013<br>Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| <b>(f) Contributions</b>                               |                   |                   |                 |                 |
| <b>Developer Contributions:</b>                        |                   |                   |                 |                 |
| <b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b> |                   |                   |                 |                 |
| S 94 - Contributions towards amenities/services        | -                 | -                 | 84              | 160             |
| S 94A - Fixed Development Consent Levies               | -                 | -                 | 1,855           | 1,458           |
| <b>Total Developer Contributions</b> 17                | <b>-</b>          | <b>-</b>          | <b>1,939</b>    | <b>1,618</b>    |
| <b>Other Contributions:</b>                            |                   |                   |                 |                 |
| Contribution to Works                                  | 49                | 48                | 49              | 377             |
| Paddington Library                                     | 240               | 215               | -               | -               |
| Building Works - Woollahra Seniors                     | -                 | -                 | 376             | -               |
| Other  | 4                 | 5                 | -               | -               |
| <b>Total Other Contributions</b>                       | <b>293</b>        | <b>268</b>        | <b>425</b>      | <b>377</b>      |
| <b>Total Contributions</b>                             | <b>293</b>        | <b>268</b>        | <b>2,364</b>    | <b>1,995</b>    |
| <b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>                | <b>2,501</b>      | <b>3,120</b>      | <b>3,364</b>    | <b>4,356</b>    |

| \$ '000 | Actual<br>2014 | Actual<br>2013 |
|---------|----------------|----------------|
|---------|----------------|----------------|

#### (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                                 | 5,135        | 5,023        |
| <b>add:</b> Grants & contributions recognised in the current period but not yet spent:   | 2,458        | 2,428        |
| <b>less:</b> Grants & contributions recognised in a previous reporting period now spent: | (2,359)      | (2,316)      |
| <b>Net Increase (Decrease) in Restricted Assets during the Period</b>                    | <b>99</b>    | <b>112</b>   |
| <b>Unexpended and held as Restricted Assets</b>  | <b>5,234</b> | <b>5,135</b> |
| <b>Comprising:</b>   |              |              |
| - Specific Purpose Unexpended Grants   | 779          | 1,083        |
| - Developer Contributions  | 4,455        | 4,052        |
|  | <b>5,234</b> | <b>5,135</b> |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 4. Expenses from Continuing Operations

| \$ '000  | Notes | Actual<br>2014 | Actual<br>2013 |
|--|-------|----------------|----------------|
| <b>(a) Employee Benefits &amp; On-Costs</b>                              |       |                |                |
| Salaries and Wages   |       | 25,579         | 24,099         |
| Travelling   |       | 8              | 10             |
| Employee Leave Entitlements (ELE)  |       | 5,035          | 4,592          |
| Superannuation   |       | 3,094          | 2,916          |
| Workers' Compensation Insurance  |       | 1,289          | 1,216          |
| Fringe Benefit Tax (FBT)   |       | 269            | 252            |
| Training Costs (other than Salaries & Wages)                             |       | 311            | 323            |
| Other  |       | 47             | 28             |
| <b>Total Employee Costs</b>  |       | <b>35,632</b>  | <b>33,436</b>  |
| less: Capitalised Costs  |       | (765)          | (500)          |
| <b>TOTAL EMPLOYEE COSTS EXPENSED</b>                                     |       | <b>34,867</b>  | <b>32,936</b>  |
| Number of "Equivalent Full Time" Employees at year end                   |       | 376            | 360            |
| Number of "Equivalent Full Time" Employees at year end (incl. vacancies) |       | 387            | 382            |
| <b>(b) Borrowing Costs</b>   |       |                |                |
| <b>(i) Interest Bearing Liability Costs</b>                              |       |                |                |
| Interest on Loans  |       | 677            | 439            |
| <b>Total Interest Bearing Liability Costs Expensed</b>                   |       | <b>677</b>     | <b>439</b>     |
| <b>(ii) Other Borrowing Costs</b>  |       |                |                |
| Nil  |       |                |                |
| <b>TOTAL BORROWING COSTS EXPENSED</b>                                    |       | <b>677</b>     | <b>439</b>     |
| <b>(c) Materials &amp; Contracts</b>                                     |       |                |                |
| Raw Materials & Consumables  |       | 5,069          | 4,802          |
| Contractor & Consultancy Costs   |       |                |                |
| - General Contractor & Consultancy Costs                                 |       | 4,312          | 3,899          |
| - Maintenance & Security Contracts                                       |       | 885            | 771            |
| - Recycling  |       | 1,511          | 1,466          |
| Auditors Remuneration <sup>(1)</sup>                                     |       | 54             | 53             |
| Infringement Notice Contract Costs (SEINS)                               |       | 878            | 801            |
| Legal Expenses:  |       |                |                |
| - Legal Expenses: Planning & Development                                 |       | 717            | 757            |
| - Legal Expenses: Other  |       | 946            | 773            |
| Operating Leases:  |       |                |                |
| - Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>         |       | 71             | 73             |
| <b>TOTAL MATERIALS &amp; CONTRACTS</b>                                   |       | <b>14,443</b>  | <b>13,395</b>  |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000   | Notes | Actual<br>2014 | Actual<br>2013 |
|---|-------|----------------|----------------|
| <b>(c) Materials &amp; Contracts (continued)</b>  |       |                |                |
| <b>1. Auditor Remuneration</b>  |       |                |                |
| During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities): |       |                |                |
| <b>(i) Audit and Other Assurance Services</b>   |       |                |                |
| - Audit & review of financial statements: Council's Auditor   |       | 54             | 53             |
| <b>Remuneration for audit and other assurance services</b>  |       | <b>54</b>      | <b>53</b>      |
| <b>Total Auditor Remuneration</b>   |       | <b>54</b>      | <b>53</b>      |
| <b>2. Operating Lease Payments are attributable to:</b>   |       |                |                |
| Photocopiers  |       | 71             | 73             |
|   |       | <b>71</b>      | <b>73</b>      |

| \$ '000   | Notes | Impairment Costs |                | Depreciation/Amortisation |                |
|---|-------|------------------|----------------|---------------------------|----------------|
|   |       | Actual<br>2014   | Actual<br>2013 | Actual<br>2014            | Actual<br>2013 |
| <b>(d) Depreciation, Amortisation &amp; Impairment</b>    |       |                  |                |                           |                |
| Plant and Equipment                                       |       | -                | -              | 1,134                     | 1,154          |
| Office Equipment  |       | -                | -              | 155                       | 159            |
| Furniture & Fittings                                      |       | -                | -              | 38                        | 16             |
| Buildings - Non Specialised                               |       | -                | -              | 1,458                     | 1,485          |
| Buildings - Specialised                                   |       | -                | -              | 579                       | 579            |
| Infrastructure:   |       |                  |                |                           |                |
| - Roads   |       | -                | -              | 3,418                     | 3,392          |
| - Bridges   |       | -                | -              | 23                        | 23             |
| - Footpaths   |       | -                | -              | 1,204                     | 1,189          |
| - Stormwater Drainage                                     |       | -                | -              | 585                       | 579            |
| - Swimming Pools  |       | -                | -              | 76                        | 76             |
| - Other Open Space/Recreational Assets                    |       | -                | -              | 1,163                     | 1,322          |
| Other Assets  |       |                  |                |                           |                |
| - Library Books   |       | -                | -              | 421                       | 373            |
| <b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b> |       | <b>-</b>         | <b>-</b>       | <b>10,254</b>             | <b>10,347</b>  |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | Notes | Actual<br>2014       | Actual<br>2013       |
|--|-------|----------------------|----------------------|
| <b>(e) Other Expenses</b>  |       |                      |                      |
| Other Expenses for the year include the following:                         |       |                      |                      |
| Advertising  |       | 376                  | 320                  |
| Bad & Doubtful Debts   |       | 40                   | 47                   |
| Bank Charges   |       | 277                  | 233                  |
| Contributions to Double Bay Partnership                                    |       | 160                  | 120                  |
| Contributions/Levies to Other Levels of Government                         |       |                      |                      |
| - Department of Planning Levy  |       | 279                  | 272                  |
| - NSW Fire Brigade Levy  |       | 2,465                | 2,455                |
| - State Emergency Services Levy  |       | 91                   | 100                  |
| Councillor Expenses - Mayoral Fee  |       | 38                   | 32                   |
| Councillor Expenses - Councillors' Fees                                    |       | 259                  | 250                  |
| Councillors' Expenses (incl. Mayor) - Other (excluding fees above)         |       | 26                   | 21                   |
| Donations, Contributions & Assistance to other organisations (Section 356) |       |                      |                      |
| - Donations, Contributions & Assistance Holdsworth                         |       | 768                  | 749                  |
| - Donations, Contributions & Assistance - Waverley/Woollahra SES           |       | 22                   | 68                   |
| - Donations, Contributions & Assistance (Other)                            |       | 174                  | 172                  |
| Election Expenses  |       | 46                   | 296                  |
| Electricity & Heating  |       | 409                  | 458                  |
| File Archival & Retrieval Costs  |       | 190                  | 179                  |
| Insurance Deductibles & Claims Payments                                    |       | 354                  | 237                  |
| Insurance Premiums   |       | 1,357                | 1,312                |
| Office Rental  |       | 25                   | 25                   |
| Postage  |       | 150                  | 121                  |
| Recoverable Expenses   |       | 297                  | 265                  |
| Registration   |       | 137                  | 140                  |
| Street Lighting  |       | 1,443                | 1,439                |
| Telephone & Communications   |       | 215                  | 209                  |
| Valuation Fees   |       | 80                   | 83                   |
| Waste Disposal Costs   |       | 4,811                | 4,611                |
| Water & Council Rates  |       | 262                  | 251                  |
| Other  |       | 696                  | 624                  |
| <b><u>TOTAL OTHER EXPENSES</u></b>   |       | <b><u>15,447</u></b> | <b><u>15,089</u></b> |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | Notes | Actual<br>2014        | Actual<br>2013        |
|--|-------|-----------------------|-----------------------|
| <b>Property</b> (excl. Investment Property)                          |       |                       |                       |
| Proceeds from Disposal - Property                                    |       | 542                   | 135                   |
| less: Carrying Amount of Property Assets Sold / Written Off          |       | -                     | -                     |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>542</b>            | <b>135</b>            |
| <b>Plant &amp; Equipment</b>   |       |                       |                       |
| Proceeds from Disposal - Plant & Equipment                           |       | 719                   | 1,469                 |
| less: Carrying Amount of P&E Assets Sold / Written Off               |       | (940)                 | (1,857)               |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>(221)</b>          | <b>(388)</b>          |
| <b>Infrastructure</b>  |       |                       |                       |
| Proceeds from Disposal - Infrastructure                              |       | -                     | -                     |
| less: Carrying Amount of Infrastructure Written Off                  |       | (3,101)               | (1,202)               |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>(3,101)</b>        | <b>(1,202)</b>        |
| <b>Financial Assets*</b>   |       |                       |                       |
| Proceeds from Disposal / Redemptions / Maturities - Financial Assets |       | 42,972                | 57,086                |
| less: Carrying Amount of Financial Assets Sold / Redeemed / Matured  |       | (42,972)              | (57,086)              |
| <b>Net Gain/(Loss) on Disposal</b>                                   |       | <b>-</b>              | <b>-</b>              |
| <b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>                  |       | <b><u>(2,780)</u></b> | <b><u>(1,455)</u></b> |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | Notes | 2014              | 2014                  | 2013              | 2013                  |
|--|-------|-------------------|-----------------------|-------------------|-----------------------|
|  |       | Actual<br>Current | Actual<br>Non Current | Actual<br>Current | Actual<br>Non Current |
| <b>Cash &amp; Cash Equivalents (Note 6a)</b>                     |       |                   |                       |                   |                       |
| Cash on Hand and at Bank   |       | 1,149             | -                     | 234               | -                     |
| Cash-Equivalent Assets <sup>1</sup>                              |       |                   |                       |                   |                       |
| - Deposits at Call   |       | 2,329             | -                     | 2,919             | -                     |
| - Short Term Deposits  |       | 6,000             | -                     | 2,250             | -                     |
| <b>Total Cash &amp; Cash Equivalents</b>                         |       | <b>9,478</b>      | <b>-</b>              | <b>5,403</b>      | <b>-</b>              |
| <b>Investments (Note 6b)</b>                                     |       |                   |                       |                   |                       |
| - Managed Funds  |       | -                 | -                     | 963               | -                     |
| - Long Term Deposits   |       | 22,500            | -                     | 24,250            | -                     |
| - NCD's, FRN's (with Maturities > 3 months)                      |       | 983               | -                     | 2,364             | -                     |
| - Mortgage Backed Securities                                     |       | 680               | -                     | 580               | -                     |
| <b>Total Investments</b>   |       | <b>24,163</b>     | <b>-</b>              | <b>28,157</b>     | <b>-</b>              |
| <b>TOTAL CASH ASSETS, CASH<br/>EQUIVALENTS &amp; INVESTMENTS</b> |       | <b>33,641</b>     | <b>-</b>              | <b>33,560</b>     | <b>-</b>              |

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

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

#### Cash & Cash Equivalents

|  |  |              |          |              |          |
|--|--|--------------|----------|--------------|----------|
| a. "At Fair Value through the Profit & Loss" |  | <b>9,478</b> | <b>-</b> | <b>5,403</b> | <b>-</b> |
|--|--|--------------|----------|--------------|----------|

#### Investments

|   |         |               |          |               |          |
|---|---------|---------------|----------|---------------|----------|
| a. "At Fair Value through the Profit & Loss"        |         |               |          |               |          |
| - "Designated at Fair Value on Initial Recognition" | 6(b-i)  | 1,663         | -        | 3,907         | -        |
| b. "Held to Maturity"                               | 6(b-ii) | 22,500        | -        | 24,250        | -        |
| <b>Investments</b>                                  |         | <b>24,163</b> | <b>-</b> | <b>28,157</b> | <b>-</b> |

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000 | 2014              | 2014                  | 2013              | 2013                  |
|---------|-------------------|-----------------------|-------------------|-----------------------|
|         | Actual<br>Current | Actual<br>Non Current | Actual<br>Current | Actual<br>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        | 3,907        | -        | 4,802        | -        |
| Revaluations (through the Income Statement) | 478          | -        | 1,941        | -        |
| Disposals (sales & redemptions)             | (2,722)      | -        | (2,836)      | -        |
| <b>Balance at End of Year</b>               | <b>1,663</b> | <b>-</b> | <b>3,907</b> | <b>-</b> |

##### Comprising:

|   |              |          |              |          |
|---|--------------|----------|--------------|----------|
| - Managed Funds                             | -            | -        | 963          | -        |
| - NCD's, FRN's (with Maturities > 3 months) | 983          | -        | 2,364        | -        |
| - Mortgage Backed Securities                | 680          | -        | 580          | -        |
| <b>Total</b>                                | <b>1,663</b> | <b>-</b> | <b>3,907</b> | <b>-</b> |

#### Note 6(b-ii)

##### Reconciliation of Investments classified as "Held to Maturity"

|                                      |               |          |               |          |
|--------------------------------------|---------------|----------|---------------|----------|
| Balance at the Beginning of the Year | 24,250        | -        | 22,500        | -        |
| Additions                            | 38,500        | -        | 56,000        | -        |
| Disposals (sales & redemptions)      | (40,250)      | -        | (54,250)      | -        |
| <b>Balance at End of Year</b>        | <b>22,500</b> | <b>-</b> | <b>24,250</b> | <b>-</b> |

##### Comprising:

|                      |               |          |               |          |
|----------------------|---------------|----------|---------------|----------|
| - Long Term Deposits | 22,500        | -        | 24,250        | -        |
| <b>Total</b>         | <b>22,500</b> | <b>-</b> | <b>24,250</b> | <b>-</b> |

#### 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 2014

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

| \$ '000   | 2014              | 2014                  | 2013              | 2013                  |
|---|-------------------|-----------------------|-------------------|-----------------------|
|   | Actual<br>Current | Actual<br>Non Current | Actual<br>Current | Actual<br>Non Current |
| <b>Total Cash, Cash Equivalents<br/>and Investments</b> | <b>33,641</b>     | <b>-</b>              | <b>33,560</b>     | <b>-</b>              |
| <b>attributable to:</b>                                 |                   |                       |                   |                       |
| External Restrictions (refer below)                     | 7,442             | -                     | 6,110             | -                     |
| Internal Restrictions (refer below)                     | 23,255            | -                     | 27,276            | -                     |
| Unrestricted  | 2,944             | -                     | 174               | -                     |
|   | <b>33,641</b>     | <b>-</b>              | <b>33,560</b>     | <b>-</b>              |

| 2014<br>\$ '000 | Opening<br>Balance | Transfers to<br>Restrictions | Transfers from<br>Restrictions | Closing<br>Balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

#### Details of Restrictions

##### External Restrictions - Included in Liabilities

Nil

##### External Restrictions - Other

|                                      |     |              |              |                |              |
|--------------------------------------|-----|--------------|--------------|----------------|--------------|
| Developer Contributions - General    | (A) | 4,052        | 2,132        | (1,730)        | 4,455        |
| Specific Purpose Unexpended Grants   | (B) | 95           | 430          | (420)          | 105          |
| Domestic Waste Management            | (C) | 1,013        | 1,006        | (28)           | 1,991        |
| Stormwater Management                | (C) | 155          | 484          | (585)          | 54           |
| Environmental Levy                   | (C) | 32           | -            | (24)           | 8            |
| Environmental & Infrastructure Levy  | (C) | 763          | 3,742        | (3,676)        | 829          |
| <b>External Restrictions - Other</b> |     | <b>6,110</b> | <b>7,794</b> | <b>(6,463)</b> | <b>7,442</b> |
| <b>Total External Restrictions</b>   |     | <b>6,110</b> | <b>7,794</b> | <b>(6,463)</b> | <b>7,442</b> |

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

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

**C** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| 2014<br>\$ '000                             |     | Opening<br>Balance | Transfers to<br>Restrictions | Transfers from<br>Restrictions | Closing<br>Balance |
|---|-----|--------------------|------------------------------|--------------------------------|--------------------|
| <b>Internal Restrictions</b>                |     |                    |                              |                                |                    |
| Plant & Vehicle Replacement                 | (D) | 189                | 193                          | (93)                           | 289                |
| Infrastructure Replacement                  | (D) | 73                 |                              | (66)                           | 7                  |
| Employees Leave Entitlement                 | (D) | 1,160              | 28                           |                                | 1,188              |
| Carry Over Works                            | (D) | 1,450              | 1,540                        | (1,118)                        | 1,872              |
| Deposits, Retentions & Bonds                | (D) | 8,775              | 1,041                        |                                | 9,816              |
| Early Payment of Financial Assistance Grant | (D) | 802                | -                            | (802)                          | -                  |
| Elections Reserve                           | (D) | -                  | 88                           | -                              | 88                 |
| Insurance Reserve                           | (D) | 326                | 126                          | (25)                           | 427                |
| Office Equipment                            | (D) | 565                | -                            | (490)                          | 75                 |
| Property Reserve                            | (D) | 13,552             | 819                          | (7,020)                        | 7,351              |
| Preschool Reserve                           | (D) | 121                | 76                           | (38)                           | 159                |
| Unexpended General Purpose Loans            | (D) | 182                | 60,350                       | (58,688)                       | 1,844              |
| Other                                       | (D) | 81                 | 89                           | (31)                           | 139                |
| <b>Total Internal Restrictions</b>          |     | <b>27,276</b>      | <b>64,350</b>                | <b>(68,371)</b>                | <b>23,255</b>      |
| <b>TOTAL RESTRICTIONS</b>                   |     | <b>33,386</b>      | <b>72,144</b>                | <b>(74,834)</b>                | <b>30,697</b>      |

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 7. Receivables

| \$ '000   | Notes | 2014          |             | 2013         |             |
|---|-------|---------------|-------------|--------------|-------------|
|   |       | Current       | Non Current | Current      | Non Current |
| <b>Purpose</b>                                      |       |               |             |              |             |
| Rates & Annual Charges                              |       | 1,846         | 90          | 1,780        | 87          |
| Interest & Extra Charges                            |       | 282           | 14          | 291          | 14          |
| User Charges & Fees                                 |       | 563           | -           | 628          | -           |
| Capital Debtors (being sale of assets)              |       |               |             |              |             |
| - Sale of Land                                      |       | 975           | -           | 805          | -           |
| Accrued Revenues                                    |       |               |             |              |             |
| - Interest on Investments                           |       | 348           | -           | 335          | -           |
| - Other Income Accruals                             |       | 611           | -           | 482          | -           |
| Government Grants & Subsidies                       |       | 673           | -           | 1,043        | -           |
| Amounts due from Other Councils                     |       | 66            | -           | 257          | -           |
| Leases & Licences                                   |       | 670           | -           | 477          | -           |
| Net GST Receivable                                  |       | 6,171         | -           | 242          | -           |
| Recovered Costs                                     |       | 73            | -           | 41           | -           |
| Restorations & Other Roadworks                      |       | 170           | -           | 245          | -           |
| Other Debtors                                       |       | 178           | -           | 115          | -           |
| <b>Total</b>  |       | <b>12,626</b> | <b>104</b>  | <b>6,741</b> | <b>101</b>  |
| <b>less: Provision for Impairment</b>               |       |               |             |              |             |
| User Charges & Fees                                 |       | (78)          | -           | (81)         | -           |
| <b>Total Provision for Impairment - Receivables</b> |       | <b>(78)</b>   | <b>-</b>    | <b>(81)</b>  | <b>-</b>    |
| <b>TOTAL NET RECEIVABLES</b>                        |       | <b>12,548</b> | <b>104</b>  | <b>6,660</b> | <b>101</b>  |
| <b>Externally Restricted Receivables</b>            |       |               |             |              |             |
| Domestic Waste Management                           |       | 492           | -           | 494          | -           |
| Stormwater Management                               |       | 23            | -           | 31           | -           |
| - Environmental Levy                                |       | 1             | -           | 2            | -           |
| - Environmental Levy & Infrastructure Levy          |       | 156           | -           | 170          | -           |
| - Grants & Contributions                            |       | 673           | -           | 988          | -           |
| <b>Total External Restrictions</b>                  |       | <b>1,345</b>  | <b>-</b>    | <b>1,685</b> | <b>-</b>    |
| <b>Internally Restricted Receivables</b>            |       |               |             |              |             |
| - Preschool Reserve                                 |       | 25            | -           | 87           | -           |
| - Property Reserve (Sales of Land)                  |       | 611           | -           | 295          | -           |
| - Property Reserve (GST on Property Acquisition)    |       | 5,825         | -           | -            | -           |
| <b>Internally Restricted Receivables</b>            |       | <b>6,461</b>  | <b>-</b>    | <b>382</b>   | <b>-</b>    |
| <b>Unrestricted Receivables</b>                     |       | <b>4,742</b>  | <b>104</b>  | <b>4,593</b> | <b>101</b>  |
| <b>TOTAL NET RECEIVABLES</b>                        |       | <b>12,548</b> | <b>104</b>  | <b>6,660</b> | <b>101</b>  |

#### Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%). Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Woollahra Municipal Council

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

#### Note 8. Inventories & Other Assets

| \$ '000                               | Notes | 2014       |             | 2013         |             |
|---------------------------------------|-------|------------|-------------|--------------|-------------|
|                                       |       | Current    | Non Current | Current      | Non Current |
| <b>Inventories</b>                    |       |            |             |              |             |
| Stores & Materials                    |       | 168        | -           | 220          | -           |
| <b>Total Inventories</b>              |       | <b>168</b> | <b>-</b>    | <b>220</b>   | <b>-</b>    |
| <b>Other Assets</b>                   |       |            |             |              |             |
| Prepayments                           |       | 175        | -           | 941          | -           |
| <b>Total Other Assets</b>             |       | <b>175</b> | <b>-</b>    | <b>941</b>   | <b>-</b>    |
| <b>TOTAL INVENTORIES/OTHER ASSETS</b> |       | <b>343</b> | <b>-</b>    | <b>1,161</b> | <b>-</b>    |

#### Externally Restricted Assets

There are no restrictions applicable to the above assets.

#### Other Disclosures

##### Inventory Write Downs

\$1,888 was recognised as an expense relating to the write down of Inventory balances held during the year.

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

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

Note 9a. Infrastructure, Property, Plant & Equipment

| \$ '000   | as at 30/6/2013 |                  |                |            |                   | Asset Movements during the Reporting Period |                              |                         |                  |  |                                      |   |   | as at 30/6/2014 |                  |                |            |                   |
|---|-----------------|------------------|----------------|------------|-------------------|---|------------------------------|-------------------------|------------------|--|--------------------------------------|---|---|-----------------|------------------|----------------|------------|-------------------|
|   | At<br>Cost      | At<br>Fair Value | Accumulated    |            | Carrying<br>Value | Asset<br>Additions                          | WDV<br>of Asset<br>Disposals | Depreciation<br>Expense | WIP<br>Transfers | Tfrs from/(to)<br>"Held for<br>Sale"<br>category | Tfrs from/(to)<br>Inv.<br>Properties | Revaluation<br>Decrements<br>to Equity<br>(ARR) | Revaluation<br>Increments<br>to Equity<br>(ARR) | At<br>Cost      | At<br>Fair Value | Accumulated    |            | Carrying<br>Value |
|   |                 |                  | Dep'n          | Impairment |                   |   |                              |                         |                  |  |                                      |   |   |                 |                  | Dep'n          | Impairment |                   |
| Capital Work in Progress                                      | 2,640           | -                | -              | -          | 2,640             | 1,884                                       | (42)                         | -                       | (2,462)          | -  | -                                    | -   | -   | 2,020           | -                | -              | -          | 2,020             |
| Plant & Equipment   | -               | 12,659           | 4,719          | -          | 7,940             | 2,142                                       | (887)                        | (1,134)                 | -                | -  | -                                    | -   | -   | -               | 11,674           | 3,613          | -          | 8,061             |
| Office Equipment  | -               | 7,260            | 6,449          | -          | 811               | 237   | -                            | (155)                   | 9                | -  | -                                    | -   | -   | -               | 7,252            | 6,350          | -          | 902               |
| Furniture & Fittings  | -               | 1,012            | 795            | -          | 217               | -   | -                            | (38)                    | -                | -  | -                                    | -   | -   | -               | 948              | 769            | -          | 179               |
| <b>Land:</b>  |                 |                  |                |            |                   |   |                              |                         |                  |  |                                      |   |   |                 |                  |                |            |                   |
| - Operational Land  | -               | 121,448          | -              | -          | 121,448           | -   | -                            | -                       | -                | (63,082)   | (15,574)                             | (8,281)   | 24,891  | -               | 59,402           | -              | -          | 59,402            |
| - Community Land  | -               | 94,771           | -              | -          | 94,771            | -   | -                            | -                       | -                | -  | -                                    | -   | -   | -               | 94,771           | -              | -          | 94,771            |
| Buildings - Non Specialised                                   | -               | 55,707           | 32,816         | -          | 22,891            | 702   | (70)                         | (1,458)                 | -                | (2,018)  | -                                    | -   | -   | -               | 50,690           | 30,643         | -          | 20,047            |
| Buildings - Specialised                                       | -               | 22,835           | 15,532         | -          | 7,303             | 983   | (92)                         | (579)                   | 94               | -  | -                                    | -   | -   | -               | 23,486           | 15,777         | -          | 7,709             |
| <b>Infrastructure:</b>  |                 |                  |                |            |                   |   |                              |                         |                  |  |                                      |   |   |                 |                  |                |            |                   |
| - Roads   | -               | 220,766          | 114,857        | -          | 105,909           | 2,227                                       | (821)                        | (3,418)                 | 716              | -  | -                                    | -   | -   | -               | 219,299          | 114,686        | -          | 104,613           |
| - Bridges   | -               | 2,332            | 271            | -          | 2,061             | -   | -                            | (23)                    | -                | -  | -                                    | -   | -   | -               | 2,332            | 294            | -          | 2,038             |
| - Footpaths   | -               | 59,659           | 27,766         | -          | 31,893            | 1,240                                       | (433)                        | (1,204)                 | 239              | -  | -                                    | -   | -   | -               | 60,202           | 28,467         | -          | 31,735            |
| - Bulk Earthworks (non-depreciable)                           | -               | 170,849          | -              | -          | 170,849           | -   | -                            | -                       | -                | -  | -                                    | -   | -   | -               | 170,849          | -              | -          | 170,849           |
| - Stormwater Drainage   | -               | 74,480           | 42,332         | -          | 32,148            | 1,738                                       | (71)                         | (585)                   | 204              | -  | -                                    | -   | -   | -               | 75,701           | 42,267         | -          | 33,434            |
| - Swimming Pools  | -               | 3,823            | 822            | -          | 3,001             | 206   | -                            | (76)                    | -                | -  | -                                    | -   | -   | -               | 4,029            | 898            | -          | 3,131             |
| - Other Open Space/Recreational Assets                        | -               | 33,882           | 8,532          | -          | 25,350            | 1,419                                       | (1,571)                      | (1,163)                 | 1,200            | -  | (2,163)                              | -   | -   | -               | 30,037           | 6,965          | -          | 23,072            |
| <b>Other Assets:</b>  |                 |                  |                |            |                   |   |                              |                         |                  |  |                                      |   |   |                 |                  |                |            |                   |
| - Library Books   | -               | 5,508            | 3,916          | -          | 1,592             | 357   | (54)                         | (421)                   | -                | -  | -                                    | -   | -   | -               | 5,264            | 3,790          | -          | 1,474             |
| <b>TOTAL INFRASTRUCTURE,<br/>PROPERTY, PLANT &amp; EQUIP.</b> | <b>2,640</b>    | <b>886,991</b>   | <b>258,807</b> | <b>-</b>   | <b>630,824</b>    | <b>13,135</b>                               | <b>(4,041)</b>               | <b>(10,254)</b>         | <b>-</b>         | <b>(65,100)</b>                                  | <b>(17,737)</b>                      | <b>(8,281)</b>                                  | <b>24,891</b>                                   | <b>2,020</b>    | <b>815,936</b>   | <b>254,519</b> | <b>-</b>   | <b>563,437</b>    |

Additions (including WIP Transfers) to Buildings & Infrastructure Assets are made up of Asset Renewals (\$7,622) and New Assets (\$3,346). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

## Woollahra Municipal Council

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

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

| \$ '000<br>Class of Asset                                  | Actual<br>2014 |                  |                      |                   | Actual<br>2013 |                  |                      |                   |
|--|----------------|------------------|----------------------|-------------------|----------------|------------------|----------------------|-------------------|
|  | At<br>Cost     | At<br>Fair Value | A/Dep &<br>Impairm't | Carrying<br>Value | At<br>Cost     | At<br>Fair Value | A/Dep &<br>Impairm't | Carrying<br>Value |
| <b>Domestic Waste Management<br/>Plant &amp; Equipment</b> | -              | 4,098            | 2,426                | <b>1,672</b>      | -              | 4,099            | 2,173                | <b>1,926</b>      |
| <b>Total DWM</b>   | -              | <b>4,098</b>     | <b>2,426</b>         | <b>1,672</b>      | -              | <b>4,099</b>     | <b>2,173</b>         | <b>1,926</b>      |
| <b>TOTAL RESTRICTED I,PP&amp;E</b>                         | -              | <b>4,098</b>     | <b>2,426</b>         | <b>1,672</b>      | -              | <b>4,099</b>     | <b>2,173</b>         | <b>1,926</b>      |

#### 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 2014

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

| \$ '000  | Notes | 2014          |               | 2013          |              |
|--|-------|---------------|---------------|---------------|--------------|
|  |       | Current       | Non Current   | Current       | Non Current  |
| <b>Payables</b>  |       |               |               |               |              |
| Goods & Services - operating expenditure                 |       | 2,638         | -             | 2,591         | -            |
| Goods & Services - capital expenditure                   |       | 1,520         | -             | 192           | -            |
| Payments Received In Advance                             |       | 1,336         | -             | 762           | -            |
| Accrued Expenses:  |       |               |               |               |              |
| - Borrowings   |       | 31            | -             | 25            | -            |
| - Salaries & Wages                                       |       | 478           | -             | 352           | -            |
| Security Bonds, Deposits & Retentions                    |       | 14,040        | -             | 12,988        | -            |
| Other  |       | 346           | -             | 386           | -            |
| <b>Total Payables</b>                                    |       | <b>20,389</b> | <b>-</b>      | <b>17,296</b> | <b>-</b>     |
| <b>Borrowings</b>  |       |               |               |               |              |
| Loans - Secured <sup>1</sup>                             |       | 1,257         | 63,113        | 1,016         | 4,019        |
| <b>Total Borrowings</b>                                  |       | <b>1,257</b>  | <b>63,113</b> | <b>1,016</b>  | <b>4,019</b> |
| <b>Provisions</b>  |       |               |               |               |              |
| <b>Employee Benefits;</b>                                |       |               |               |               |              |
| Annual Leave   |       | 2,692         | -             | 2,664         | -            |
| Sick Leave   |       | 796           | -             | 829           | -            |
| Long Service Leave                                       |       | 6,793         | 203           | 5,964         | 213          |
| Gratuities   |       | 49            | -             | 62            | -            |
| <b>Total Provisions</b>                                  |       | <b>10,330</b> | <b>203</b>    | <b>9,519</b>  | <b>213</b>   |
| <b>Total Payables, Borrowings &amp; Provisions</b>       |       | <b>31,976</b> | <b>63,316</b> | <b>27,831</b> | <b>4,232</b> |
| <br>   |       |               |               |               |              |
| <b>(i) Liabilities relating to Restricted Assets</b>     |       |               |               |               |              |
|  |       | 2014          |               | 2013          |              |
|  |       | Current       | Non Current   | Current       | Non Current  |
| <b>Externally Restricted Assets</b>                      |       |               |               |               |              |
| Domestic Waste Management                                |       | 1,046         | -             | 948           | -            |
| Liabilities relating to externally restricted assets     |       | 1,046         | -             | 948           | -            |
| <b>Internally Restricted Assets</b>                      |       |               |               |               |              |
| Nil  |       |               |               |               |              |
| <b>Total Liabilities relating to restricted assets</b>   |       | 1,046         | -             | 948           | -            |
| <b>Total Liabilities relating to Unrestricted Assets</b> |       | 30,930        | 63,316        | 26,883        | 4,232        |
| <b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>       |       | <b>31,976</b> | <b>63,316</b> | <b>27,831</b> | <b>4,232</b> |

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

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



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000   | Actual<br>2014 | Actual<br>2013 |
|---|----------------|----------------|
| <b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>                             |                |                |
| The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months. |                |                |
| Provisions - Employees Benefits   | 6,991          | 6,294          |
| Payables - Security Bonds, Deposits & Retentions  | 9,492          | 8,329          |
|   | <b>16,483</b>  | <b>14,623</b>  |

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

| Class of Provision | 2013                         |                       | 2014                     |  |                         | Closing Balance as at 30/6/14 |
|--------------------|------------------------------|-----------------------|--------------------------|--|-------------------------|-------------------------------|
|                    | Opening Balance as at 1/7/13 | Additional Provisions | Decrease due to Payments | Remeasurement effects due to Discounting | Unused amounts reversed |                               |
| Annual Leave       | 2,664                        | 2,128                 | (2,100)                  | -  | -                       | 2,692                         |
| Sick Leave         | 829                          | 20                    | (53)                     | -  | -                       | 796                           |
| Long Service Leave | 6,177                        | 1,362                 | (543)                    | -  | -                       | 6,996                         |
| Gratuities         | 62                           | (3)                   | (10)                     | -  | -                       | 49                            |
| <b>TOTAL</b>       | <b>9,732</b>                 | <b>3,507</b>          | <b>(2,706)</b>           | <b>-</b>                                 | <b>-</b>                | <b>10,533</b>                 |

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000   | Notes | Actual<br>2014 | Actual<br>2013 |
|---|-------|----------------|----------------|
| <b>(a) Reconciliation of Cash Assets</b>  |       |                |                |
| Total Cash & Cash Equivalent Assets   | 6a    | 9,478          | 5,403          |
| Less Bank Overdraft   | 10    | -              | -              |
| <b>BALANCE as per the STATEMENT of CASH FLOWS</b>   |       | <b>9,478</b>   | <b>5,403</b>   |
| <b>(b) Reconciliation of Net Operating Result<br/>to Cash provided from Operating Activities</b>  |       |                |                |
| <b>Net Operating Result from Income Statement</b>   |       | <b>(2,897)</b> | <b>2,917</b>   |
| <b>Adjust for non cash items:</b>   |       |                |                |
| Depreciation & Amortisation   |       | 10,254         | 10,347         |
| Net Losses/(Gains) on Disposal of Assets  |       | 2,780          | 1,455          |
| Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:                          |       |                |                |
| - Investments classified as "At Fair Value" or "Held for Trading"                                 |       | (478)          | (1,941)        |
| - Investment Properties   |       | 1,912          | (850)          |
| <b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>                   |       |                |                |
| Decrease/(Increase) in Receivables  |       | (5,718)        | (846)          |
| Increase/(Decrease) in Provision for Doubtful Debts   |       | (3)            | 18             |
| Decrease/(Increase) in Inventories  |       | 52             | (33)           |
| Decrease/(Increase) in Other Assets   |       | 766            | (95)           |
| Increase/(Decrease) in Payables   |       | 47             | 396            |
| Increase/(Decrease) in accrued Interest Payable   |       | 6              | (3)            |
| Increase/(Decrease) in other accrued Expenses Payable   |       | 126            | (168)          |
| Increase/(Decrease) in Other Liabilities  |       | 1,586          | 266            |
| Increase/(Decrease) in Employee Leave Entitlements  |       | 801            | 249            |
| <b>NET CASH PROVIDED FROM/(USED IN)<br/>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b> |       | <b>9,234</b>   | <b>11,712</b>  |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | Notes | Actual<br>2014 | Actual<br>2013 |
|--|-------|----------------|----------------|
| <b>(c) Non-Cash Investing &amp; Financing Activities</b>                                       |       |                |                |
| Nil  |       |                |                |
| <b>(d) Financing Arrangements</b>  |       |                |                |
| <b>(i) Unrestricted access was available at balance date to the following lines of credit:</b> |       |                |                |
| Bank Overdraft Facilities <sup>(1)</sup>   |       | 400            | 400            |
| Credit Cards / Purchase Cards  |       | 15             | 15             |
| <b>Total Financing Arrangements</b>  |       | <b>415</b>     | <b>415</b>     |
| <b>Amounts utilised as at Balance Date:</b>  |       |                |                |
| - Credit Cards / Purchase Cards  |       | 4              | 4              |
| <b>Total Financing Arrangements Utilised</b>   |       | <b>4</b>       | <b>4</b>       |

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

#### **(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 2014

#### Note 12. Commitments for Expenditure

| \$ '000  | Notes | Actual<br>2014 | Actual<br>2013 |
|--|-------|----------------|----------------|
| <b>(a) Capital Commitments (exclusive of GST)</b>  |       |                |                |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |       |                |                |
| <b>Property, Plant &amp; Equipment</b>   |       |                |                |
| Buildings  |       | 361            | 535            |
| Plant & Equipment  |       | 249            | 301            |
| Infrastructure   |       | 514            | 215            |
| Streetscapes   |       | 185            |                |
| Traffic  |       | 277            | 213            |
| Open Space Works   |       | 284            | 298            |
| Environmental Works  |       | 162            | 105            |
| IT   |       | 44             | 107            |
| Parsley Bay Bridge   |       | 256            | -              |
| Intersection & Pedestrian Refuge Upgrades  |       | 207            | -              |
| Redleaf Pool   |       | 155            | -              |
| William Street Double Bay Stage 2  |       | 125            | -              |
| Village High Road  |       | 123            | -              |
| Glenview Street  |       | 105            | -              |
| Woollahra Seniors - Building Upgrade   |       | -              | 535            |
| Bay St / Knox St - Inlet Capacity Upgrade  |       | -              | 271            |
| <b>Total Commitments</b>   |       | <b>3,047</b>   | <b>2,580</b>   |
| <b>These expenditures are payable as follows:</b>  |       |                |                |
| Within the next year   |       | 3,047          | 2,580          |
| <b>Total Payable</b>   |       | <b>3,047</b>   | <b>2,580</b>   |
| <b>Sources for Funding of Capital Commitments:</b>   |       |                |                |
| Unrestricted General Funds   |       | 3,047          | 2,580          |
| <b>Total Sources of Funding</b>  |       | <b>3,047</b>   | <b>2,580</b>   |

#### (b) Finance Lease Commitments

Nil

#### (c) Operating Lease Commitments (Non Cancellable)

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

|  |            |            |
|--|------------|------------|
| Within the next year                                     | 62         | 71         |
| Later than one year and not later than 5 years           | 59         | 60         |
| <b>Total Non Cancellable Operating Lease Commitments</b> | <b>121</b> | <b>131</b> |

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

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 2014

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

| \$ '000  | Amounts<br>2014 | Indicator<br>2014 | Prior Periods<br>2013      2012 |        |
|--|-----------------|-------------------|---------------------------------|--------|
| <b>Local Government Industry Indicators - Consolidated</b>   |                 |                   |                                 |        |
| <b>1. Operating Performance Ratio</b>  |                 |                   |                                 |        |
| Total continuing operating revenue <sup>(1)</sup>  |                 |                   |                                 |        |
| <u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>   | <u>(2,047)</u>  | <b>-2.78%</b>     | -4.00%                          | -3.71% |
| Total continuing operating revenue <sup>(1)</sup><br>(excl. Capital Grants & Contributions)                                | <b>73,641</b>   |                   |                                 |        |
| <b>2. Own Source Operating Revenue Ratio</b>   |                 |                   |                                 |        |
| Total continuing operating revenue <sup>(1)</sup>  |                 |                   |                                 |        |
| <u>(less ALL Grants &amp; Contributions)</u>   | <u>71,140</u>   | <b>92.38%</b>     | 89.87%                          | 89.88% |
| Total continuing operating revenue <sup>(1)</sup>  | <b>77,005</b>   |                   |                                 |        |
| <b>3. Unrestricted Current Ratio</b>   |                 |                   |                                 |        |
| Current Assets less all External Restrictions <sup>(2)</sup>   | <u>102,845</u>  | <b>7.12 : 1</b>   | 2.74                            | 2.54   |
| Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>  | <u>14,447</u>   |                   |                                 |        |
| <b>4. Debt Service Cover Ratio</b>   |                 |                   |                                 |        |
| Operating Result <sup>(1)</sup> before capital excluding interest<br>and depreciation / impairment / amortisation (EBITDA) | <u>8,884</u>    | <b>5.25</b>       | 5.79                            | 6.03   |
| Principal Repayments (from the Statement of Cash Flows)<br>+ Borrowing Interest Costs (from the Income Statement)          | <u>1,692</u>    |                   |                                 |        |
| <b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>                                       |                 |                   |                                 |        |
| Rates, Annual and Extra Charges Outstanding  | <u>2,232</u>    | <b>4.55%</b>      | 4.65%                           | 4.97%  |
| Rates, Annual and Extra Charges Collectible  | <u>49,072</u>   |                   |                                 |        |
| <b>6. Cash Expense Cover Ratio</b>   |                 |                   |                                 |        |
| Current Year's Cash and Cash Equivalents<br>including All Term Deposits  | <u>31,978</u>   | <b>4.92</b>       | 5.07                            | 5.43   |
| Payments from cash flow of operating and<br>financing activities   | <u>6,495</u>    |                   |                                 |        |

#### Notes

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

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

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

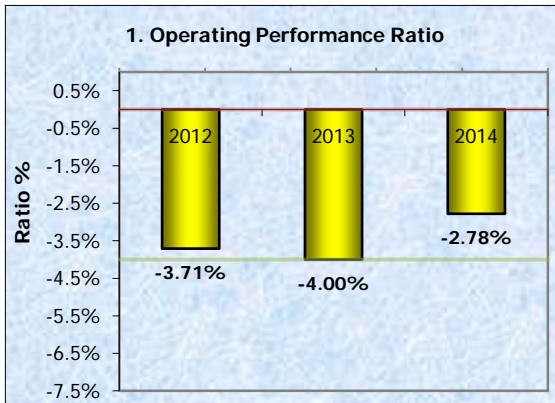
<sup>(3)</sup> Refer to Note 10(a).

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

# Woollahra Municipal Council

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

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



— Minimum 0.00%    — Maximum -4.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

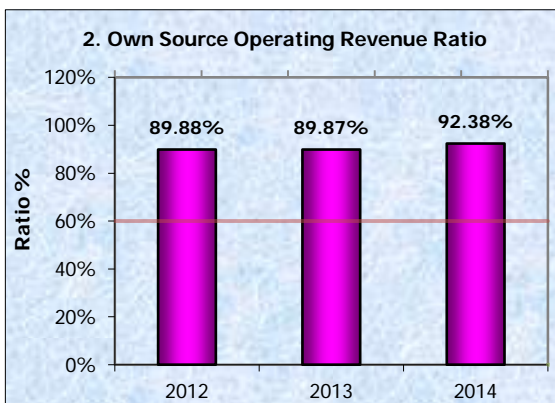
**Purpose of Operating Performance Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio    -2.78%**

Council's ratio is less than the industry benchmark of 0% but within TCorp's benchmark of -4%.



— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

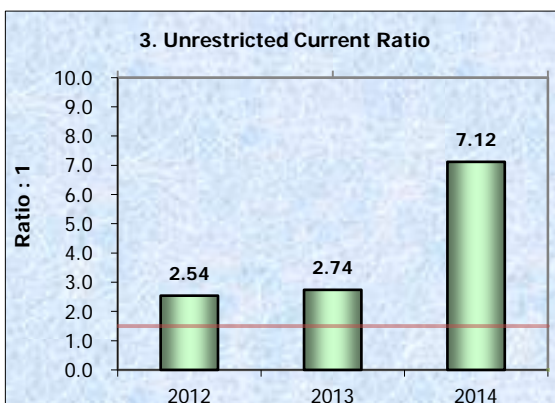
**Purpose of Own Source Operating Revenue Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio    92.38%**

Council's ratio is well in excess of the industry and TCorp benchmarks of 60%



— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

**Purpose of Unrestricted Current Ratio**

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

**Commentary on 2013/14 Result**

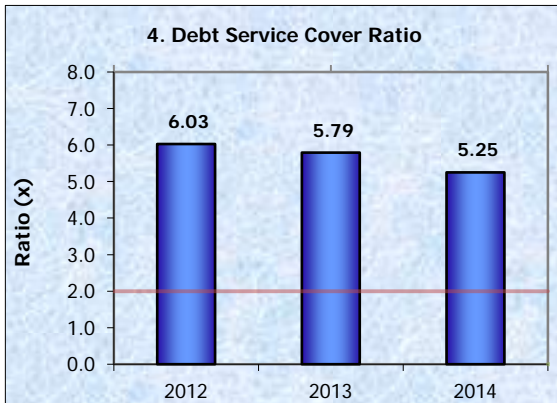
**2013/14 Ratio    7.12 : 1**

At 7.12:1, the 2014 ratio has a one off inclusion of \$65,100k in Assets Held for Sale. Without this, the ratio would be 2.61:1 in line with 2013 and still well in excess of Tcorp's benchmark of 1.5:1

# Woollahra Municipal Council

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

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



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

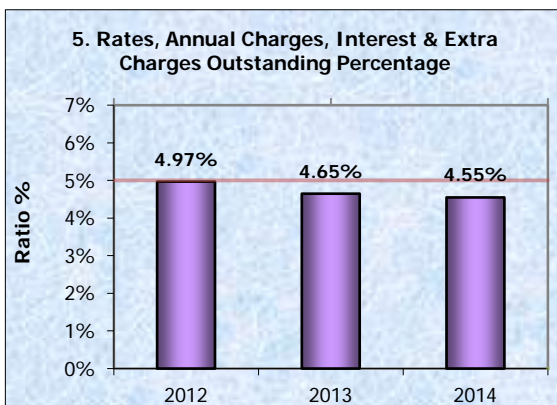
#### Purpose of Debt Service Cover Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 5.25**

Council's ratio has been well in excess of TCorp's benchmark of 2.0, but this will reduce as the debt servicing for Kiaora Place commences in full.



— Maximum 5.00%

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

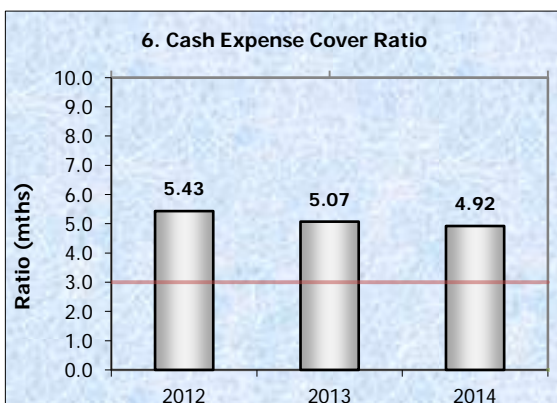
#### Purpose of Rates & Annual Charges Outstanding Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 4.55%**

Council's ratio is close to and more favourable than the industry benchmark of 5%



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

#### Purpose of Cash Expense Cover Ratio

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

#### Commentary on Result

**2013/14 Ratio 4.92**

Council's ratio is well in excess of the industry and TCorp benchmarks of 3 months.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 14. Investment Properties

| \$ '000   | Notes | Actual<br>2014 | Actual<br>2013 |
|---|-------|----------------|----------------|
| <b>(a) Investment Properties at Fair value</b>  |       |                |                |
| <b>Investment Properties on Hand</b>  |       | <b>89,350</b>  | <b>15,275</b>  |
| <b>Reconciliation of Annual Movement:</b>   |       |                |                |
| Opening Balance   |       | 15,275         | 14,425         |
| - Acquisitions  |       | 58,250         | -              |
| - Net Gain/(Loss) from Fair Value Adjustments   |       | (1,912)        | 850            |
| - Transfers from/(to) Owner Occupied (Note 9)   |       | 17,737         | -              |
| <b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>  |       | <b>89,350</b>  | <b>15,275</b>  |
| <b>(b) Valuation Basis</b>  |       |                |                |
| The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. |       |                |                |
| The 2014 revaluations were based on Independent Assessments made by:<br>Scott Fullarton Valuations Pty Ltd.   |       |                |                |
| <b>(c) Leasing Arrangements</b>   |       |                |                |
| Details of leased Investment Properties are as follows:   |       |                |                |
| Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:   |       |                |                |
| Within 1 year   |       | 5,057          | 785            |
| Later than 1 year but less than 5 years   |       | 23,877         | 1,581          |
| Later than 5 years  |       | 112,530        | 859            |
| <b>Total Minimum Lease Payments Receivable</b>  |       | <b>141,464</b> | <b>3,225</b>   |
| <b>(d) Investment Property Income &amp; Expenditure - summary</b>   |       |                |                |
| <b>Rental Income from Investment Properties:</b>  |       |                |                |
| - Minimum Lease Payments  |       | 1,329          | 815            |
| - Other Income  |       | 387            | 62             |
| <b>Direct Operating Expenses on Investment Properties:</b>  |       |                |                |
| - that generated rental income  |       | (1,158)        | (325)          |
| <b>Net Revenue Contribution from Investment Properties</b>  |       | <b>558</b>     | <b>552</b>     |
| plus:   |       |                |                |
| <b>Fair Value Movement for year</b>   |       | <b>(1,912)</b> | <b>850</b>     |
| <b>Total Income attributable to Investment Properties</b>   |       | <b>(1,354)</b> | <b>1,402</b>   |

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management

\$ '000

##### Risk Management

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

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

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

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

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

|   | Carrying Value |               | Fair Value    |               |
|---|----------------|---------------|---------------|---------------|
|   | 2014           | 2013          | 2014          | 2013          |
| <b>Financial Assets</b>                             |                |               |               |               |
| Cash and Cash Equivalents                           | 9,478          | 5,403         | 9,478         | 5,403         |
| Investments   |                |               |               |               |
| - "Designated At Fair Value on Initial Recognition" | 1,663          | 3,907         | 1,663         | 3,907         |
| - "Held to Maturity"                                | 22,500         | 24,250        | 22,500        | 24,250        |
| Receivables   | 12,652         | 6,761         | 12,652        | 6,761         |
| <b>Total Financial Assets</b>                       | <b>46,293</b>  | <b>40,321</b> | <b>46,293</b> | <b>40,321</b> |
| <b>Financial Liabilities</b>                        |                |               |               |               |
| Payables  | 19,053         | 16,534        | 19,053        | 16,534        |
| Loans / Advances                                    | 64,370         | 5,035         | 64,370        | 5,035         |
| <b>Total Financial Liabilities</b>                  | <b>83,423</b>  | <b>21,569</b> | <b>83,423</b> | <b>21,569</b> |

Fair Value is determined as follows:

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

|  | Increase of Values/Rates |        | Decrease of Values/Rates |        |
|--|--------------------------|--------|--------------------------|--------|
|  | Profit                   | Equity | Profit                   | Equity |
| <b>2014</b>  |                          |        |                          |        |
| Possible impact of a 10% movement in Market Values | 166                      | 166    | (166)                    | (166)  |
| Possible impact of a 1% movement in Interest Rates | 375                      | 375    | (375)                    | (375)  |
| <b>2013</b>  |                          |        |                          |        |
| 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)  |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

##### (b) Receivables

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

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

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

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

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

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:

|  | 2014<br>Rates &<br>Annual<br>Charges | 2014<br>Other<br>Receivables | 2013<br>Rates &<br>Annual<br>Charges | 2013<br>Other<br>Receivables |
|--|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
| <b>(i) Ageing of Receivables - %</b>                             |                                      |                              |                                      |                              |
| Current (not yet overdue)  | 0%                                   | 94%                          | 0%                                   | 66%                          |
| Overdue (past due by 30 days or more)                            | 100%                                 | 6%                           | 100%                                 | 34%                          |
|  | <u>100%</u>                          | <u>100%</u>                  | <u>100%</u>                          | <u>100%</u>                  |
| <b>(ii) Ageing of Receivables - value</b>                        |                                      |                              |                                      |                              |
| Current (not yet overdue)  | -                                    | 10,165                       | -                                    | 3,260                        |
| Past due by up to 30 days  | 736                                  | 175                          | 710                                  | 196                          |
| Past due between 31 and 60 days                                  | 290                                  | 204                          | 280                                  | 777                          |
| Past due between 61 and 90 days                                  | 445                                  | 139                          | 429                                  | 635                          |
| Past due by more than 90 days                                    | 465                                  | 111                          | 448                                  | 107                          |
|  | <u>1,936</u>                         | <u>10,794</u>                | <u>1,867</u>                         | <u>4,975</u>                 |
| <b>(iii) Movement in Provision for Impairment of Receivables</b> |                                      |                              | 2014                                 | 2013                         |
| Balance at the beginning of the year                             |                                      |                              | 81                                   | 63                           |
| + new provisions recognised during the year                      |                                      |                              | 40                                   | 47                           |
| - amounts already provided for & written off this year           |                                      |                              | (43)                                 | (29)                         |
| <b>Balance at the end of the year</b>                            |                                      |                              | <u>78</u>                            | <u>81</u>                    |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

##### (c) Payables & Borrowings

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

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

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

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

| \$ '000                            | Subject to no maturity | payable in:   |              |              |              |              |                | Total Cash Outflows | Actual Carrying Values |
|------------------------------------|------------------------|---------------|--------------|--------------|--------------|--------------|----------------|---------------------|------------------------|
|                                    |                        | ≤ 1 Year      | 1-2 Yrs      | 2-3 Yrs      | 3-4 Yrs      | 4-5 Yrs      | > 5 Yrs        |                     |                        |
| <b>2014</b>                        |                        |               |              |              |              |              |                |                     |                        |
| Trade/Other Payables               | 14,040                 | 5,013         | -            | -            | -            | -            | -              | 19,053              | 19,053                 |
| Loans & Advances                   | -                      | 6,037         | 6,039        | 6,283        | 6,282        | 5,323        | 122,190        | 152,154             | 64,370                 |
| <b>Total Financial Liabilities</b> | <b>14,040</b>          | <b>11,050</b> | <b>6,039</b> | <b>6,283</b> | <b>6,282</b> | <b>5,323</b> | <b>122,190</b> | <b>171,207</b>      | <b>83,423</b>          |
| <b>2013</b>                        |                        |               |              |              |              |              |                |                     |                        |
| Trade/Other Payables               | 12,988                 | 3,546         | -            | -            | -            | -            | -              | 16,534              | 16,534                 |
| Loans & Advances                   | -                      | 1,382         | 1,381        | 1,381        | 960          | 960          | -              | 6,064               | 5,035                  |
| <b>Total Financial Liabilities</b> | <b>12,988</b>          | <b>4,928</b>  | <b>1,381</b> | <b>1,381</b> | <b>960</b>   | <b>960</b>   | <b>-</b>       | <b>22,598</b>       | <b>21,569</b>          |

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

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

|  | 2014           |                       | 2013           |                       |
|--|----------------|-----------------------|----------------|-----------------------|
|  | Carrying Value | Average Interest Rate | Carrying Value | Average Interest Rate |
| Trade/Other Payables                   | 19,053         | 0.0%                  | 16,534         | 0.0%                  |
| Loans & Advances - Fixed Interest Rate | 64,370         | 6.9%                  | 5,035          | 7.3%                  |
|  | <u>83,423</u>  |                       | <u>21,569</u>  |                       |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 24 June 2013.

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

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

**Note that for Variations\* of Budget to Actual :**

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

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

| \$ '000   | 2014<br>Budget | 2014<br>Actual | 2014<br>Variance* ----- |             |          |
|---|----------------|----------------|-------------------------|-------------|----------|
| <b>REVENUES</b>   |                |                |                         |             |          |
| <b>Rates &amp; Annual Charges</b>   | <b>46,671</b>  | <b>46,738</b>  | <b>67</b>               | <b>0%</b>   | <b>F</b> |
| While not a material variance overall, there are variances worth noting. Income from Council's Domestic Waste Management Charge was \$38k more than originally forecast while Additional Waste Management Charges were \$23k more than originally forecast. Section 611 Charges were \$7k more than originally forecast. The total of these variances is \$68k.   |                |                |                         |             |          |
| <b>User Charges &amp; Fees</b>  | <b>9,856</b>   | <b>9,768</b>   | <b>(88)</b>             | <b>(1%)</b> | <b>U</b> |
| While not a material variance overall, there are variances worth noting. The following income streams were less than originally forecast: Work Zone Charges (\$186k), Road Restoration Restoration Charges (\$105k), Trade Waste Services (\$81k), Development Application Fees (\$64k), s96 Amendment Applications (\$41k), Preschool Fees (\$37k), Residential Parking Permits (\$27k), and Compliance Cost Notices (\$25k). The following income streams exceeded forecast income: Compliance Levy \$87k, Hoarding Application Fees \$52k, s.149 Certificates \$50k, Crane Permits \$49k, Temporary Rock Anchors \$39k, Wedding and Ceremonial Photography \$38k, Tree Pruning Income \$33k, s.603 Certificates \$30k, Outstanding Orders and Notices Certificates \$26k, Fire Safety Lodgement Fees \$20k, Credit Card Usage Fees \$17k, Swimming Pool Act Applications \$15k, Parking Meter Charges \$13k and Policy Change Requests \$10k. The total of these variances is (\$87k). |                |                |                         |             |          |
| <b>Interest &amp; Investment Revenue</b>  | <b>1,634</b>   | <b>2,066</b>   | <b>432</b>              | <b>26%</b>  | <b>F</b> |
| Interest earned on investments was (\$49k) lower than forecast due to lower interest rates throughout the year. Fair value adjustments arising from investment sales and redemptions totalled \$478k and were not included in the original budget. The total of these variances is \$429k.  |                |                |                         |             |          |

# Woollahra Municipal Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 16. Material Budget Variations (continued)

| \$ '000   | 2014<br>Budget | 2014<br>Actual | 2014<br>----- Variance* ----- |              |          |
|---|----------------|----------------|-------------------------------|--------------|----------|
| <b>REVENUES (continued)</b>   |                |                |                               |              |          |
| <b>Other Revenues</b>   | <b>12,754</b>  | <b>11,134</b>  | <b>(1,620)</b>                | <b>(13%)</b> | <b>U</b> |
| While not a material variance overall, there are variances worth noting.  |                |                |                               |              |          |
| The following income streams were less than originally forecast: Commercial Property Leases (\$1,159k) due to the Kiaora Place leases commencing later than anticipated and a fair value adjustment to Investment Properties (\$1,912) not anticipated in the original budget.  |                |                |                               |              |          |
| The following income streams exceeded forecast income:  |                |                |                               |              |          |
| Fines and Penalties \$746k, Recovered Costs \$307k, Car Park Leases \$205k, and Fuel Tax Credits \$81k, while the following sundry income was not anticipated in the original budget; Early Notification Incentive \$25k, Insurance Rebate \$20k, Circus Ticket Sales \$16k, Solar Energy Credits \$14k, Procurement Rebate \$12k, and other sundry income \$20k. |                |                |                               |              |          |
| The total of these variances is (\$1,625k).   |                |                |                               |              |          |
| <b>Operating Grants &amp; Contributions</b>   | <b>2,836</b>   | <b>2,501</b>   | <b>(335)</b>                  | <b>(12%)</b> | <b>U</b> |
| Roads to Recovery \$194k and Block \$132k grants are budgeted as Capital Grants but disclosed as Operating Grants. The Financial Assistance Grants was less than forecast (\$761k) due to the timing of advance payments by the State. The following grants exceeded forecast income: Sustainability \$70k, Traffic \$23k and Preschool \$12k                     |                |                |                               |              |          |
| The total of these variances is (\$332k).   |                |                |                               |              |          |
| <b>Capital Grants &amp; Contributions</b>   | <b>2,452</b>   | <b>3,364</b>   | <b>912</b>                    | <b>37%</b>   | <b>F</b> |
| Council was unsuccessful in its grant application for stormwater works to the value of (\$120k).  |                |                |                               |              |          |
| The timing of projects, and grants received for projects carried over from 2012/13, resulted in grant income exceeding original budget by \$424k, mainly related to community facilities. Council also received an RMS grant \$206k and Open Space contributions to works \$48k not anticipated in the original budget.   |                |                |                               |              |          |
| Section 94 and 94A Contributions exceeded the original budget by \$84k and \$554k respectively.   |                |                |                               |              |          |
| Additionally, as noted above, Roads to Recovery and Block Grants are budgeted as Capital Grants but disclosed as Operating Grants resulting in a (\$259k) variance.   |                |                |                               |              |          |
| The total of these variances is \$938.  |                |                |                               |              |          |
| <b>EXPENSES</b>   |                |                |                               |              |          |
| <b>Employee Benefits &amp; On-Costs</b>   | <b>33,671</b>  | <b>34,867</b>  | <b>(1,196)</b>                | <b>(4%)</b>  | <b>U</b> |
| While not a material variance overall, there are variances worth noting.  |                |                |                               |              |          |
| Staff training, budgeted in Other Expenses, is disclosed in Employee Benefits & On-costs (\$311k).  |                |                |                               |              |          |
| The following expenditure items exceeded original budget forecasts: Salaries and Wages (\$391k), Workers' Compensation Insurance (\$230), Paid Maternity Leave (\$154k), Overtime (\$117k), Fringe Benefits Tax (\$39k) and Superannuation (\$26k).   |                |                |                               |              |          |
| The following expenditure items were less than original budget forecasts: Leave payments and provisioning \$79k.  |                |                |                               |              |          |
| The total of these variations is (\$1,189k).  |                |                |                               |              |          |
| <b>Borrowing Costs</b>  | <b>1,495</b>   | <b>677</b>     | <b>818</b>                    | <b>55%</b>   | <b>F</b> |
| As noted in Other Revenues above, Kiaora Place commenced operation later than anticipated in the original budget. As a consequence, loan repayments were less than forecast (\$798k). Further, as a result of a later drawdown of Council's LIRS approved Streetscapes loan, loan repayments were less than forecast (\$20k).                                     |                |                |                               |              |          |
| The total of these variations is (\$818k).  |                |                |                               |              |          |



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations (continued)

| \$ '000   | 2014<br>Budget | 2014<br>Actual | 2014<br>----- Variance* ----- |               |          |
|---|----------------|----------------|-------------------------------|---------------|----------|
| <b>EXPENSES (continued)</b>   |                |                |                               |               |          |
| <b>Materials &amp; Contracts</b>  | <b>13,451</b>  | <b>14,443</b>  | <b>(992)</b>                  | <b>(7%)</b>   | <b>U</b> |
| <p>The following expenditure items exceeded original budget forecasts: Legal Expenses (\$333k), Infringement Processing Charges (\$84k), Vehicle Parts and Repairs (\$79k), Appeal Consultants (\$51k), Equipment Purchases (\$41k), Temporary Staff (\$37k), Contract Plant Hire (\$35k), Protective Clothing (\$20k) and Stores Issues (\$16k). The following expenditure items were less than original budget forecasts: General Contracts \$285k, Lifecycle Maintenance \$191k, Materials \$102k, Recurrent Contracts \$46k, Assessment Consultants \$20k, Cleaning Contract \$20k, Preschool Consumables \$10k and Operating Leases \$10k. Additionally, (\$983k) in expenditure budgeted as Capital Expenditure was expensed at year end. The total of these variances is (\$995k).</p>   |                |                |                               |               |          |
| <b>Depreciation &amp; Amortisation</b>  | <b>10,325</b>  | <b>10,254</b>  | <b>71</b>                     | <b>1%</b>     | <b>F</b> |
| <p>While not a material variance overall, there are variances worth noting. Forecast Office Equipment and Furniture and Fittings Depreciation we overstated resulting in a variance to original budget of \$211. Depreciation across other asset classes increased resulting from the depreciation of 2012/13 purchases (\$140k). The total of these variances is \$71k.</p>  |                |                |                               |               |          |
| <b>Other Expenses</b>   | <b>15,912</b>  | <b>15,447</b>  | <b>465</b>                    | <b>3%</b>     | <b>F</b> |
| <p>Staff training, budgeted in Other Expenses, is disclosed in Employee Benefits &amp; On-costs \$311k. Additionally, Staff Training was under expended by \$26k. The following expenditure items were less than original budget forecasts: Self Funded Losses \$129k, Street Lighting Charges \$71k, Emergency Management Contribution \$85k, Reimbursements \$63k, Lease Incentives \$60k, Electricity \$45k, SES Contribution \$35k, Catering \$20k, Donations \$16k, Tipping Charges \$15k and Insurance Premiums \$13k. The following expenditure items exceeded original budget forecasts: Recoverable Expenses (\$157k), Revenue Collection Charges (\$60k), Advertising (\$54), Contributions to Other Organisations (\$50k), Election Expenses (\$46k), Water Rates (\$18k), Bad Debts (\$16k), Registration \$10k, Postage \$9k and Telephone Charges (\$8k). The total of the variances is \$461k.</p> |                |                |                               |               |          |
| <b>Net Losses from Disposal of Assets</b>   | <b>751</b>     | <b>2,780</b>   | <b>(2,029)</b>                | <b>(270%)</b> | <b>U</b> |
| <p>Net loss from the sale of Plant and Equipment exceed original budget forecasts by (\$36k) while proceeds from the sale of unmade road parcels was \$237k more than originally budgeted. The write off of infrastructure assets exceeded the original budget forecast by (\$442k). Additionally, the write off of land improvement assets (\$1,572k), building assets (\$162k) and Library assets (\$54k) were not included in the original budget. The total of these variances is (\$2,029k).</p>   |                |                |                               |               |          |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations (continued)

| \$ '000  | 2014<br>Budget  | 2014<br>Actual  | 2014<br>----- Variance* ----- |                  |
|--|-----------------|-----------------|-------------------------------|------------------|
| <b>Budget Variations relating to Council's Cash Flow Statement include:</b>  |                 |                 |                               |                  |
| <b>Cash Flows from Operating Activities</b>  | <b>12,201</b>   | <b>9,234</b>    | <b>(2,967)</b>                | <b>(24.3%) U</b> |
| Council does not budget for the movement in Bonds and Deposits, instead, transfers it to or from Reserve. In 2013/14, the net inflow was \$1,052k which contributes to this variance. The budget variations in operating income and expenditure also contribute to this variance and are not restated. Notable contributors are \$746k in Fines and Penalties and \$818 in Borrowing Costs and the payment of (\$5,825) in GST related to the acquisition of Kiaora Place. The total of these variances is (\$3,209k). |                 |                 |                               |                  |
| <b>Cash Flows from Investing Activities</b>  | <b>(71,226)</b> | <b>(64,494)</b> | <b>6,732</b>                  | <b>(9.5%) F</b>  |
| Council's original budget forecasts the total movement in Cash and Investments and does not break it down into Investments and Cash & Cash Equivalents. For 2013/14 there was a net inflow from Investment Securities of \$4,472. The balance of the variance relates mainly to the timing of projects expenditure, \$2,463k, a growth in debtors associated with road sales (\$170k) and (\$126k) relating to the sale of plant and vehicles not being finalised before 30 June.                                      |                 |                 |                               |                  |
| <b>Cash Flows from Financing Activities</b>  | <b>59,334</b>   | <b>59,335</b>   | <b>1</b>                      | <b>0.0% F</b>    |
| New loans raised and the repayment of existing loans were in accordance with budget forecasts.   |                 |                 |                               |                  |

# Woollahra Municipal Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

| PURPOSE                                 | Opening Balance | Contributions received during the Year |          | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections   |                       |                         | Cumulative Internal Borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
|   |                 | Cash                                   | Non Cash |                         |                         |                              |                          | Future income | Exp still outstanding | Over or (under) Funding |  |
| Parking                                 | 2,615           | 27                                     | -        | 119                     | (11)                    | -                            | 2,750                    | -             | (2,969)               | (219)                   | -  |
| Open Space                              | 20              | -                                      | -        | -                       | (20)                    | -                            | -                        | -             | -                     | -                       | -  |
| Civic Improvements                      | 51              | 54                                     | -        | 3                       | -                       | -                            | 108                      | -             | (680)                 | (572)                   | -  |
| Recreation                              | 310             | 3                                      | -        | 13                      | (98)                    | -                            | 228                      | -             | -                     | 228                     | -  |
| Plan Preparation & Administration       | 40              | -                                      | -        | 2                       | -                       | -                            | 42                       | -             | (88)                  | (46)                    | -  |
| <b>S94 Contributions - under a Plan</b> | <b>3,036</b>    | <b>84</b>                              | <b>-</b> | <b>136</b>              | <b>(129)</b>            | <b>-</b>                     | <b>3,128</b>             | <b>-</b>      | <b>(3,737)</b>        | <b>(609)</b>            | <b>-</b>                                     |
| <b>S94A Levies - under a Plan</b>       | <b>973</b>      | <b>1,855</b>                           | <b>-</b> | <b>56</b>               | <b>(1,601)</b>          | <b>-</b>                     | <b>1,283</b>             |               |                       |                         | <b>-</b>                                     |
| <b>Total S94 Revenue Under Plans</b>    | <b>4,009</b>    | <b>1,939</b>                           | <b>-</b> | <b>192</b>              | <b>(1,730)</b>          | <b>-</b>                     | <b>4,411</b>             |               |                       |                         | <b>-</b>                                     |
| S94 not under Plans                     | 43              | -                                      | -        | 1                       | -                       | -                            | 44                       | -             | -                     | 44                      | -  |
| <b>Total Contributions</b>              | <b>4,052</b>    | <b>1,939</b>                           | <b>-</b> | <b>193</b>              | <b>(1,730)</b>          | <b>-</b>                     | <b>4,455</b>             | <b>-</b>      | <b>(3,737)</b>        | <b>(565)</b>            | <b>-</b>                                     |

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN - 1997 Contributions Plan

| PURPOSE      | Opening Balance | Contributions received during the Year |          | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections   |                       |                         | Cumulative Internal Borrowings due/(payable) |
|--------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
|              |                 | Cash                                   | Non Cash |                         |                         |                              |                          | Future income | Exp still outstanding | Over or (under) Funding |  |
| Parking      | 392             | -                                      | -        | 17                      | (11)                    | -                            | 398                      | -             | -                     | 398                     | -  |
| Open Space   | 20              | -                                      | -        | -                       | (20)                    | -                            | -                        | -             | -                     | -                       | -  |
| <b>Total</b> | <b>412</b>      | <b>-</b>                               | <b>-</b> | <b>17</b>               | <b>(31)</b>             | <b>-</b>                     | <b>398</b>               | <b>-</b>      | <b>-</b>              | <b>398</b>              | <b>-</b>                                     |

# Woollahra Municipal Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN - 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                | 991             | -                                      | -        | 45                      | -                       | -                            | 1,036                    | -             | (619)                 | 417                     | -  |
| Parking - Double Bay              | 1,232           | 27                                     | -        | 57                      | -                       | -                            | 1,316                    | -             | (2,350)               | (1,034)                 | -  |
| Civic Improvements                | 51              | 54                                     | -        | 3                       | -                       | -                            | 108                      | -             | (680)                 | (572)                   | -  |
| Recreation                        | 310             | 3                                      | -        | 13                      | (98)                    | -                            | 228                      | -             | -                     | 228                     | -  |
| Plan Preparation & Administration | 40              | -                                      | -        | 2                       | -                       | -                            | 42                       | -             | (88)                  | (46)                    | -  |
| <b>Total</b>                      | <b>2,624</b>    | <b>84</b>                              | <b>-</b> | <b>119</b>              | <b>(98)</b>             | <b>-</b>                     | <b>2,730</b>             | <b>-</b>      | <b>(3,737)</b>        | <b>(1,007)</b>          | <b>-</b>                                     |

#### S94A LEVIES - UNDER A PLAN

##### CONTRIBUTION PLAN - 2005 Contributions Plan

| PURPOSE      | Opening Balance | Contributions received during the Year |          | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections   |                       |                         | Cumulative Internal Borrowings due/(payable) |
|--------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
|              |                 | Cash                                   | Non Cash |                         |                         |                              |                          | Future income | Exp still outstanding | Over or (under) Funding |  |
| Other        | 973             | 1,855                                  | -        | 56                      | (1,601)                 | -                            | 1,283                    | -             | -                     | -                       | -  |
| <b>Total</b> | <b>973</b>      | <b>1,855</b>                           | <b>-</b> | <b>56</b>               | <b>(1,601)</b>          | <b>-</b>                     | <b>1,283</b>             | <b>-</b>      | <b>-</b>              | <b>-</b>                | <b>-</b>                                     |

#### S94 CONTRIBUTIONS - NOT UNDER A PLAN

| PURPOSE      | Opening Balance | Contributions received during the Year |          | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections   |                       |                         | Cumulative Internal Borrowings due/(payable) |
|--------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
|              |                 | Cash                                   | Non Cash |                         |                         |                              |                          | Future income | Exp still outstanding | Over or (under) Funding |  |
| Parking      | 43              | -                                      | -        | 1                       | -                       | -                            | 44                       | -             | -                     | 44                      | -  |
| <b>Total</b> | <b>43</b>       | <b>-</b>                               | <b>-</b> | <b>1</b>                | <b>-</b>                | <b>-</b>                     | <b>44</b>                | <b>-</b>      | <b>-</b>              | <b>44</b>               | <b>-</b>                                     |

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

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

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

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

The Local Government Superannuation Scheme (LGSS) however is unable to provide Council with a reliable 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 has been estimated by LGSS to being the order of \$1,285,468 as at 30/6/14.

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 2014

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

\$ '000

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

##### 2. Other Liabilities

###### (i) Third Party Claims

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

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

###### (ii) S94 Plans

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

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

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

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

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

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

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

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 2014

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

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\$ '000

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##### **ASSETS NOT RECOGNISED:**

##### **(iii) 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.

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

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Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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

| \$ '000  | Notes  | Actual<br>2014 | Actual<br>2013 |
|--|--------|----------------|----------------|
| <b>(a) Retained Earnings</b>   |        |                |                |
| <b>Movements in Retained Earnings were as follows:</b>                     |        |                |                |
| Balance at beginning of Year (from previous years audited accounts)        |        | 501,935        | 499,483        |
| a. Correction of Prior Period Errors                                       | 20 (c) | -              | (465)          |
| b. Net Operating Result for the Year                                       |        | (2,897)        | 2,917          |
| <b>Balance at End of the Reporting Period</b>                              |        | <b>499,038</b> | <b>501,935</b> |
| <b>(b) Reserves</b>  |        |                |                |
| <b>(i) Reserves are represented by:</b>                                    |        |                |                |
| - Infrastructure, Property, Plant & Equipment Revaluation Reserve          |        | 170,193        | 153,583        |
| <b>Total</b>   |        | <b>170,193</b> | <b>153,583</b> |
| <b>(ii) Reconciliation of movements in Reserves:</b>                       |        |                |                |
| <b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b> |        |                |                |
| - Opening Balance  |        | 153,583        | 110,997        |
| - Revaluations for the year  | 9(a)   | 16,610         | 42,586         |
| <b>- Balance at End of Year</b>  |        | <b>170,193</b> | <b>153,583</b> |
| <b>TOTAL VALUE OF RESERVES</b>   |        | <b>170,193</b> | <b>153,583</b> |

#### (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 2014

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

| \$ '000   | Notes | Actual<br>2014 | Actual<br>2013 |
|---|-------|----------------|----------------|
| <b>(c) Correction of Error/s relating to a Previous Reporting Period</b>  |       |                |                |
| Council made no correction of errors during the current reporting period, but did in the prior period.  |       |                |                |
| <b>Correction of errors disclosed in this year's financial statements:</b>  |       |                |                |
| 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          |
| <b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>   |       |                |                |
| <b>These amounted to the following Equity Adjustments:</b>  |       |                |                |
| - Adjustments to Opening Equity - 1/7/12<br>(relating to adjustments for the 30/6/12 reporting year end and prior periods)  |       | -              | (465)          |
| - Adjustments to Closing Equity - 30/6/13<br>(relating to adjustments for the 30/6/13 year end)   |       | -              | -              |
| <b>Total Prior Period Adjustments - Prior Period Errors</b>   |       | <b>-</b>       | <b>(465)</b>   |

#### (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 2014

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

| \$ '000   | 2014          | 2014        | 2013     | 2013        |
|---|---------------|-------------|----------|-------------|
|   | Current       | Non Current | Current  | Non Current |
| <b>(i) Non Current Assets &amp; Disposal Group Assets</b>         |               |             |          |             |
| <b>Non Current Assets "Held for Sale"</b>                         |               |             |          |             |
| Land  | 63,082        | -           | -        | -           |
| Buildings   | 2,018         | -           | -        | -           |
| <b>Total Non Current Assets "Held for Sale"</b>                   | <b>65,100</b> | <b>-</b>    | <b>-</b> | <b>-</b>    |
| <b>Disposal Group Assets "Held for Sale"</b>                      |               |             |          |             |
| None  |               |             |          |             |
| <b>TOTAL NON CURRENT ASSETS<br/>CLASSIFIED AS "HELD FOR SALE"</b> | <b>65,100</b> | <b>-</b>    | <b>-</b> | <b>-</b>    |

#### (ii) Details of Assets & Disposal Groups

Prior to 30 June 2014 Council resolved to sell is O'Dea Avenue, Waterloo Depot site and vacant land situated at 9A Cooper Park Road. Both properties are to be sold by tender and it is anticipated the sales will complete in the 2014/15 financial year

#### (iii) Disposal Group Liabilities

##### Disposal Group Related Liabilities "Held for Sale"

Nil

| \$ '000   | Assets "Held for Sale" |          |
|---|------------------------|----------|
|   | 2014                   | 2013     |
| <b>(iv) Reconciliation of Non Current Assets<br/>"Held for Sale" &amp; Disposal Groups<br/>- i.e. Discontinued Operations</b> |                        |          |
| Opening Balance   | -                      | -        |
| plus New Transfers in:  |                        |          |
| - Assets "Held for Sale"  | 65,100                 | -        |
| <b>Closing Balance of "Held for Sale"<br/>Non Current Assets &amp; Operations</b>   | <b>65,100</b>          | <b>-</b> |

Refer to Note 27 - Fair Value Measurement for fair value measurement information.

## Woollahra Municipal Council

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

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

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\$ '000

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Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 15/10/14.

Events that occur after the Reporting Period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

Council is aware of the following "adjusting event" that merits disclosure;

- A contract for the sale of O'Dea Avenue Depot (disclosed as 'Non-Current Assets Held for Sale' - Note 22) exchanged on 31 July 2014 for \$56m which is its carrying amount at 30 June 2014. The sale will be recognised in the 2014/15 reporting period.

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

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

##### **Council is aware of the following "non-adjusting events" that merit disclosure;**

- A contract for the sale of 9A Cooper Park Road (disclosed as 'Non-Current Assets Held for Sale' - Note 22) exchanged on 23 September 2014 for \$9.143m compared to its carrying amount at 30 June 2014 of \$9.1m. The sale will be recognised in the 2014/15 reporting period.
- Council's Kiaora Place public private partnership development continues in the 2014/15 reporting period. It is anticipated that Stage 2 of the development will be completed and settled before 30 June 2015 at a cost of \$35.5m. Council will be borrowing a further \$18.5m of this amount from Woolworths and fund the remaining \$17m from restricted cash Reserves and other sources.

## Woollahra Municipal Council

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

#### Note 24. Discontinued Operations

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

#### Note 25. Intangible Assets

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

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

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non Current Assets classified as "Held for Sale"

The fair value measurement of assets "Held for Sale" is non-recurring as it is expected the assets will be sold before the next reporting date.

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

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

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

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

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

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

| 2014   | Date of latest Valuation | Fair Value Measurement Hierarchy        |  |  | Total          |
|--|--------------------------|---|--|--|----------------|
|  |                          | Level 1<br>Quoted prices in active mkts | Level 2<br>Significant observable inputs | Level 3<br>Significant inobservable inputs |                |
| <b>Recurring Fair Value Measurements</b>                     |                          |   |  |  |                |
| <b>Financial Assets</b>                                      |                          |   |  |  |                |
| Investments  |                          |   |  |  |                |
| - "Designated At Fair Value on Initial Recognition"          | 30/06/14                 | 983                                     | -  | 680  | 1,663          |
| <b>Total Financial Assets</b>                                |                          | <b>983</b>                              | <b>-</b>                                 | <b>680</b>                                 | <b>1,663</b>   |
| <b>Investment Properties</b>                                 |                          |   |  |  |                |
| Kiaora Place   | 30/06/14                 | -                                       | -  | 82,050                                     | 82,050         |
| Car Parks  | 30/06/14                 | -                                       | -  | 7,300                                      | 7,300          |
| <b>Total Investment Properties</b>                           |                          | <b>-</b>                                | <b>-</b>                                 | <b>89,350</b>                              | <b>89,350</b>  |
| <b>Infrastructure, Property, Plant &amp; Equipment</b>       |                          |   |  |  |                |
| Plant & Equipment  | 30/06/14                 | -                                       | -  | 8,061                                      | 8,061          |
| Office Equipment   | 30/06/14                 | -                                       | -  | 902  | 902            |
| Furniture & Fittings   | 30/06/14                 | -                                       | -  | 179  | 179            |
| Operational Land   | 30/06/14                 | -                                       | -  | 59,402                                     | 59,402         |
| Community Land   | 30/06/14                 | -                                       | -  | 94,771                                     | 94,771         |
| Buildings - Non Specialised                                  | 30/06/14                 | -                                       | -  | 20,047                                     | 20,047         |
| Buildings - Specialised                                      | 30/06/14                 | -                                       | -  | 7,709                                      | 7,709          |
| Roads  | 30/06/14                 | -                                       | -  | 106,633                                    | 106,633        |
| Bridges  | 30/06/14                 | -                                       | -  | 2,038                                      | 2,038          |
| Footpaths  | 30/06/14                 | -                                       | -  | 31,735                                     | 31,735         |
| Bulk Earthworks  | 30/06/14                 | -                                       | -  | 170,849                                    | 170,849        |
| Stormwater Drainage  | 30/06/14                 | -                                       | -  | 33,434                                     | 33,434         |
| Swimming Pools   | 30/06/14                 | -                                       | -  | 3,131                                      | 3,131          |
| Other Open Space/Recreational Assets                         | 30/06/14                 | -                                       | -  | 23,072                                     | 23,072         |
| Library Books  | 30/06/14                 | -                                       | -  | 1,474                                      | 1,474          |
| <b>Total Infrastructure, Property, Plant &amp; Equipment</b> |                          | <b>-</b>                                | <b>-</b>                                 | <b>563,437</b>                             | <b>563,437</b> |

# Woollahra Municipal Council

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

### Note 27. Fair Value Measurement (continued)

\$ '000

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

| 2014  | Date<br>of latest<br>Valuation | Fair Value Measurement Hierarchy              |  |  | Total         |
|---|--------------------------------|---|--|--|---------------|
|   |                                | Level 1<br>Quoted<br>prices in<br>active mkts | Level 2<br>Significant<br>observable<br>inputs | Level 3<br>Significant<br>inobservable<br>inputs |               |
| <b>Non-recurring Fair Value Measurements</b>            |                                |   |  |  |               |
| <b>Non Current Assets classified as "Held for Sale"</b> |                                |   |  |  |               |
| O'Dea Avenue Depot                                      | 30/06/14                       | -   | 56,000   | -  | 56,000        |
| 9A Cooper Park Road                                     | 30/06/14                       | -   | -  | 9,100  | 9,100         |
| <b>Total NCA's classified as "Held for Sale"</b>        |                                | <b>-</b>                                      | <b>56,000</b>                                  | <b>9,100</b>                                     | <b>65,100</b> |

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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

###### Financial Assets

The Investment at Fair Value through the Profit & Loss disclosed as Level 3 is Emerald Reverse Mortgage Series 2007-1 Class B Security maturing 21 July 2057.

Council receives monthly valuations from the issuer of the security. The 30 June valuation has been used to ensure the financial statements reflect the latest valuation. The best evidence of fair value is the current price in an active market for similar assets. The market, in the case of the Emerald Reverse Mortgage Security, is highly illiquid as a consequence of the global financial crisis notwithstanding the robustness of its structure. As a consequence of this limited market evidence, it is difficult to value the security. The issue valuation indicates the value to be 68c.

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

###### Investment Properties

Council holds three Investment Properties:

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

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

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

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

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

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

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

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

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

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



## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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Level 3 unobservable inputs include:

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

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

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#### Non Current Assets classified as "Held for Sale"

Council classifies assets as held for sale under *AASB 5 Non Current Assets Held for Sale and Discontinued Operations*. These assets are available for immediate sale and the sale is highly probable.

52 – 54 O’Dea Avenue, Waterloo (Council’s Depot site)

Council has valued this asset at its contracted sale price.

9A Cooper Park Road, Bellevue Hill (vacant land)

Council has obtained a fair value valuation for this asset from an external valuer. Valuation was performed by Scott Fullarton Valuations Pty Ltd.

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#### Operational Land

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

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

The unobservable Level 3 inputs used include:

- Rate per square metre

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

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#### Community Land

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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

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

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

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

---

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

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

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

The unobservable Level 3 inputs used include:

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

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

---

#### **Roads**

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

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

## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

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

The unobservable Level 3 inputs used include:

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

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

---

#### Bridges

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

The unobservable Level 3 inputs used include:

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

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

---

#### Footpaths

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

The unobservable Level 3 inputs used include:

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

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

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## Woollahra Municipal Council

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

#### Note 27. Fair Value Measurement

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##### Bulk Earthworks

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

The unobservable Level 3 inputs used include:

- useful life
- asset condition
- residual value

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

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##### Stormwater Drainage

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

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

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

The unobservable Level 3 inputs used include:

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

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

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##### Swimming Pools

Council has three harbour swimming pools:

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

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

## Woollahra Municipal Council

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

#### Note 27. Fair Value Measurement

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The unobservable Level 3 inputs used include:

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

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

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#### Other Open Space/Recreational Assets

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

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

The unobservable Level 3 inputs used include:

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

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

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#### Library Books

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

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

The unobservable Level 3 inputs used include:

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

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

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## Woollahra Municipal Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

|                                  | Invest-<br>ments | Investment<br>Properties | Plant<br>&<br>Equipment | Office<br>Equipment | Total         |
|----------------------------------|------------------|--------------------------|-------------------------|---------------------|---------------|
| Adoption of AASB 13              | 680              | 89,350                   | 8,061                   | 902                 | 98,993        |
| <b>Closing Balance - 30/6/14</b> | <b>680</b>       | <b>89,350</b>            | <b>8,061</b>            | <b>902</b>          | <b>98,993</b> |

|                                  | Furniture<br>&<br>Fittings | Operational<br>Land | Community<br>Land | Buildings<br>Non<br>Specialised | Total          |
|----------------------------------|----------------------------|---------------------|-------------------|---------------------------------|----------------|
| Adoption of AASB 13              | 179                        | 59,402              | 94,771            | 20,047                          | 174,399        |
| <b>Closing Balance - 30/6/14</b> | <b>179</b>                 | <b>59,402</b>       | <b>94,771</b>     | <b>20,047</b>                   | <b>174,399</b> |

|                                  | Buildings<br>Specialised | Roads          | Bridges      | Footpaths     | Total          |
|----------------------------------|--------------------------|----------------|--------------|---------------|----------------|
| Adoption of AASB 13              | 7,709                    | 106,633        | 2,038        | 31,735        | 148,115        |
| <b>Closing Balance - 30/6/14</b> | <b>7,709</b>             | <b>106,633</b> | <b>2,038</b> | <b>31,735</b> | <b>148,115</b> |

|                                  | Bulk<br>Earthworks | Storm-<br>water<br>Drainage | Swimming<br>Pools | Other Open<br>Space<br>Assets | Total          |
|----------------------------------|--------------------|-----------------------------|-------------------|-------------------------------|----------------|
| Adoption of AASB 13              | 170,849            | 33,434                      | 3,131             | 23,072                        | 230,486        |
| <b>Closing Balance - 30/6/14</b> | <b>170,849</b>     | <b>33,434</b>               | <b>3,131</b>      | <b>23,072</b>                 | <b>230,486</b> |

|                                  | Library<br>Books | Assets<br>"Held for<br>Sale" | Total         |
|----------------------------------|------------------|------------------------------|---------------|
| Adoption of AASB 13              | 1,474            | 9,100                        | 10,574        |
| <b>Closing Balance - 30/6/14</b> | <b>1,474</b>     | <b>9,100</b>                 | <b>10,574</b> |

## Woollahra Municipal Council

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

#### Note 27. Fair Value Measurement

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

##### b. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

##### Financial Assets

| Class                                | Fair Value<br>(30/6/14)<br>\$'000 | Unobservable Inputs  | Range of Inputs<br>(incl probable)                                 | Relationship of unobservable inputs to Fair Value  |
|--------------------------------------|-----------------------------------|--|--|--|
| Fair Value through the Profit & Loss | 680                               | <ul style="list-style-type: none"> <li>Unit Price</li> </ul> | <ul style="list-style-type: none"> <li>\$0.58 to \$0.68</li> </ul> | Significant changes in the estimated unit price would result in significant changes to fair value measurement. |

##### Investment Properties

| Class                 | Fair Value<br>(30/6/14)<br>\$'000 | Unobservable Inputs  | Range of Inputs<br>(incl probable)   | Relationship of unobservable inputs to Fair Value   |
|-----------------------|-----------------------------------|--|--|---|
| Investment Properties | 89,350                            | <ul style="list-style-type: none"> <li>Net rental value</li> <li>Rental Yield</li> </ul> | <ul style="list-style-type: none"> <li>\$184k - \$5,369k</li> <li>6.5% - 8%</li> </ul> | Significant changes in the estimated rental value and / or yield would result in significant changes to fair value measurement. |

##### I,PP&E

| Class   | Fair Value<br>(30/6/14)<br>\$'000 | Unobservable Inputs  | Range of Inputs<br>(incl probable)  | Relationship of unobservable inputs to Fair Value  |
|---|-----------------------------------|--|---|--|
| Plant & Equipment, Office Equipment, Furniture & Fittings | 9,142                             | <ul style="list-style-type: none"> <li>Asset Cost</li> <li>Useful Life</li> </ul>  | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>2 to 20 years</li> </ul>                             | Significant changes to inputs would result in significant changes to fair value measurement.                     |
| Operational Land  | 59,402                            | <ul style="list-style-type: none"> <li>Rate per m<sup>2</sup></li> </ul>   | <ul style="list-style-type: none"> <li>\$138 to \$10,000 per m<sup>2</sup></li> </ul>                                     | Changes to the rate per m <sup>2</sup> will increase or decrease the fair value of Operational Land.             |
| Community Land  | 94,771                            | <ul style="list-style-type: none"> <li>Unimproved Capital Value (rate per m<sup>2</sup>)</li> </ul>                      | <ul style="list-style-type: none"> <li>\$75 to \$4,000</li> </ul>   | Significant changes in the price per square metre would result in significant changes to fair value measurement. |
| Buildings   | 27,756                            | <ul style="list-style-type: none"> <li>Current Replacement Cost</li> <li>Useful life</li> <li>Asset Condition</li> </ul> | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>15 to 60 years</li> <li>Poor to excellent</li> </ul> | Significant changes to inputs would result in significant changes to fair value measurement.                     |

## Woollahra Municipal Council

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

#### Note 27. Fair Value Measurement

| Class                                  | Fair Value<br>(30/6/14)<br>\$'000 | Unobservable Inputs  | Range of Inputs<br>(incl probable)   | Relationship of unobservable inputs to Fair Value  |
|--|-----------------------------------|--|--|--|
| Roads                                  | 106,633                           | <ul style="list-style-type: none"> <li>Current Replacement Cost (Unit Rates)</li> <li>Asset Condition Rating</li> <li>Useful Life</li> </ul> | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>1 – 5 (1 = New, 5 = Failed)</li> <li>25 to 120 years</li> </ul> | Significant changes to inputs would result in significant changes to fair value measurement. |
| Bridges                                | 2,038                             | <ul style="list-style-type: none"> <li>Current Replacement Cost (Unit Rates)</li> <li>Asset Condition Rating</li> <li>Useful Life</li> </ul> | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>1 – 5 (1 = New, 5 = Failed)</li> <li>80 to 150 years</li> </ul> | Significant changes to inputs would result in significant changes to fair value measurement. |
| Footpaths                              | 31,735                            | <ul style="list-style-type: none"> <li>Current Replacement Cost (Unit Rates)</li> <li>Asset Condition Rating</li> <li>Useful Life</li> </ul> | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>1 – 5 (1 = New, 5 = Failed)</li> <li>25 to 80 years</li> </ul>  | Significant changes to inputs would result in significant changes to fair value measurement. |
| Bulk Earthworks                        | 170,849                           | <ul style="list-style-type: none"> <li>Current Replacement Cost (Unit Rates)</li> <li>Asset Condition Rating</li> </ul>                      | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>1 – 5 (1 = New, 5 = Failed)</li> </ul>                          | Significant changes to inputs would result in significant changes to fair value measurement. |
| Stormwater Drainage                    | 33,434                            | <ul style="list-style-type: none"> <li>Current Replacement Cost (Unit Rates)</li> <li>Asset Condition Rating</li> <li>Useful Life</li> </ul> | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>1 – 5 (1 = New, 5 = Failed)</li> <li>80 to 150 years</li> </ul> | Significant changes to inputs would result in significant changes to fair value measurement. |
| Swimming Pools                         | 3,131                             | <ul style="list-style-type: none"> <li>Current Replacement Cost (Unit Rates)</li> <li>Asset Condition Rating</li> <li>Useful Life</li> </ul> | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>1 – 5 (1 = New, 5 = Failed)</li> <li>25 to 120 years</li> </ul> | Significant changes to inputs would result in significant changes to fair value measurement. |
| Other Open Space / Recreational Assets | 23,072                            | <ul style="list-style-type: none"> <li>Asset Cost</li> <li>Useful Life</li> <li>Asset Condition</li> </ul>                                   | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>10 to 100 years</li> <li>Poor to excellent</li> </ul>           | Significant changes to inputs would result in significant changes to fair value measurement. |
| Library Books                          | 1,474                             | <ul style="list-style-type: none"> <li>Asset Cost</li> <li>Useful Life</li> <li>Asset Condition</li> </ul>                                   | <ul style="list-style-type: none"> <li>Varies significantly</li> <li>3 to 8 years</li> <li>Poor to excellent</li> </ul>              | Significant changes to inputs would result in significant changes to fair value measurement. |



## Woollahra Municipal Council

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

#### Note 27. Fair Value Measurement

##### Non Current Assets classified as "Held for Sale"

| Class             | Fair Value<br>(30/6/14)<br>\$'000 | Unobservable Inputs   | Range of Inputs<br>(incl probable)                                   | Relationship of unobservable inputs to Fair Value  |
|-------------------|-----------------------------------|---|--|--|
| 9A Cooper Park Rd | 9,100                             | <ul style="list-style-type: none"> <li>Rate per m<sup>2</sup> (direct comparison )</li> </ul> | <ul style="list-style-type: none"> <li>\$2,251 to \$3,960</li> </ul> | Significant changes to inputs would result in significant changes to fair value measurement. |

##### c. The Valuation Process for Level 3 Fair Value Measurements

AASB13 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

AASB13 prescribes the use of a fair value hierarchy. There are 3 levels:

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

Level 2 – Observable inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs: inputs for the asset or liability that are not based on observable market data.

The valuation techniques prescribed by AASB13 are as follows:

Market Approach – an active and liquid market exists e.g. residential housing or shares (based on a quotation system). Market approach is normally determined by comparison to actual sales data for the same or similar assets. Reference may also be made to cost guides that provide industry or sector data on sales prices.

Income Approach – use for assets where the value is dependent on the asset’s cash generating capability e.g. investment buildings. The income approach may use Net Present Value or Discounted Cash Flow.

Cost Approach: current replacement cost.

The Local Government Code of Accounting Practice and Financial Reporting Guidelines set the “fair value” valuation techniques to be used which are in accordance with AASB13.

Note 27 (3) provides details of valuation techniques and inputs used for measurement.

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

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

## Woollahra Municipal Council

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

#### Note 28. Council Information & Contact Details

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**Principal Place of Business:**

536 New South Head Road  
Double Bay NSW 2028

**Contact Details**

**Mailing Address:**

PO Box 61  
Double Bay NSW 2028

**Opening Hours:**

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

**Telephone:** 02 9391 7000

**Facsimile:** 02 9391 7044

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

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

**Officers**

**GENERAL MANAGER**

Gary James

**RESPONSIBLE ACCOUNTING OFFICER**

Don Johnston, Chief Financial Officer

**PUBLIC OFFICER**

Stephen Dunshea, Director Corporate Services

**AUDITORS**

Hill Rogers 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**

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**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying general purpose financial statements of Woollahra Municipal Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

***Responsibility of Council for the Financial Statements***

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

***Auditors' Responsibility***

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

**Assurance Partners**

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Sydney NSW 2001

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[info@hr-ss.com.au](mailto: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 15th day of October 2014

15 October 2014

The Mayor  
Woollahra Municipal Council  
PO Box 61  
**DOUBLE BAY NSW 1360**

Mayor,

### **Audit Report - Year Ended 30 June 2014**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

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

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

## **I. RESULTS FOR THE YEAR**

### ***1.1 Operating Result***

The operating result for the year was a deficit of \$2.897 million as compared with a surplus of \$2.917 million in the previous year.

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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.

|  | 2014<br>\$'000 | % of<br>Total | 2013<br>\$'000 | % of<br>Total | Increase<br>(Decrease)<br>\$000 |
|--|----------------|---------------|----------------|---------------|---------------------------------|
| <b>Revenues before capital items</b>                   |                |               |                |               |                                 |
| Rates & annual charges                                 | 46,738         | 65%           | 44,359         | 61%           | 2,379                           |
| User charges, fees & other revenues                    | 20,902         | 29%           | 20,969         | 29%           | (67)                            |
| Grants & contributions provided for operating purposes | 2,501          | 3%            | 3,120          | 4%            | (619)                           |
| Interest & investment revenue                          | 2,066          | 3%            | 3,774          | 5%            | (1,708)                         |
|  | <b>72,207</b>  | <b>100%</b>   | <b>72,222</b>  | <b>100%</b>   | <b>(15)</b>                     |
| <b>Expenses</b>  |                |               |                |               |                                 |
| Employee benefits & costs                              | 34,867         | 44%           | 32,936         | 45%           | 1,931                           |
| Materials, contracts & other expenses                  | 32,670         | 42%           | 29,939         | 41%           | 2,731                           |
| Depreciation, amortisation & impairment                | 10,254         | 13%           | 10,347         | 14%           | (93)                            |
| Borrowing costs  | 677            | 1%            | 439            | 1%            | 238                             |
|  | <b>78,468</b>  | <b>100%</b>   | <b>73,661</b>  | <b>100%</b>   | <b>4,807</b>                    |
| <b>Surplus (Deficit) before capital items</b>          | <b>(6,261)</b> |               | <b>(1,439)</b> |               | <b>(4,822)</b>                  |
| Grants & contributions provided for capital purposes   | 3,364          |               | 4,356          |               | (992)                           |
| <b>Net Surplus (Deficit) for the year</b>              | <b>(2,897)</b> |               | <b>2,917</b>   |               | <b>(5,814)</b>                  |
| <b>Performance Measures</b>                            |                |               |                |               |                                 |
|  | <b>2014</b>    |               | <b>2013</b>    |               |                                 |
| Operating Performance                                  | -2.78%         |               | -4.00%         |               |                                 |
| Own Source Operating Revenue                           | 92.38%         |               | 89.87%         |               |                                 |

The above table shows an overall decrease of \$5.814 million from the previous year and is mainly attributable to the following:-

- net loss of \$1.912 million in adjusting for the fair value of investment properties compared with a net gain of \$850,000 in 2013;
- reduced capital grants received (\$1.361 million); and
- write off Open Space Assets (\$1.571 million).

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was -2.78% and was below the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 92.38% and exceeded the benchmark of 60%.

## 1.2 Funding Result

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

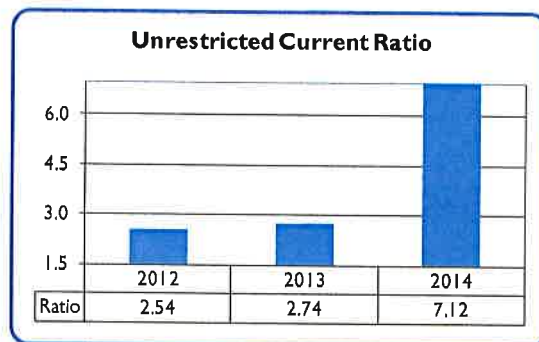
|   | 2014           | 2013         |
|---|----------------|--------------|
|   | \$'000         | \$'000       |
| <b>Funds were provided by:-</b>                         |                |              |
| <b>Operating Result (as above)</b>                      | <b>(2,897)</b> | <b>2,917</b> |
| Add back non funding items:-                            |                |              |
| - Depreciation, amortisation & impairment               | 10,254         | 10,347       |
| - Book value of non-current assets sold                 | 4,041          | 3,059        |
| - (Gain)/Loss of fair value to investment properties    | 1,912          | (850)        |
|   | 13,310         | 15,473       |
| New loan borrowings                                     | 60,350         | 0            |
| Transfers from externally restricted assets (net)       | 0              | 922          |
| Net Changes in current/non-current assets & liabilities | 66,950         | 177          |
|   | 140,610        | 16,572       |
| <b>Funds were applied to:-</b>                          |                |              |
| Purchase and construction of assets                     | (71,385)       | (14,712)     |
| Principal repaid on loans                               | (1,015)        | (944)        |
| Transfers to externally restricted assets (net)         | (894)          | 0            |
| Transfers to internal reserves (net)                    | (2,058)        | (963)        |
|   | (75,352)       | (16,619)     |
| <b>Increase/(Decrease) in Available Working Capital</b> | <b>65,258</b>  | <b>(47)</b>  |

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

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

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$88.398 million representing a factor of 7.12 to 1. The significant increase arises from \$65.1million disclosed as Non-current assets classified as "held for sale" and would otherwise have been 2.61 to 1.





## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$67.826 million as detailed below;

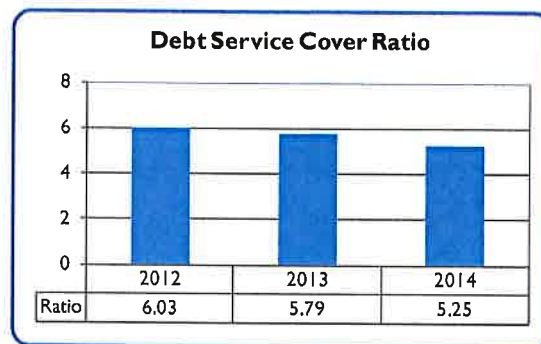
|  | 2014          | 2013          | Change        |
|--|---------------|---------------|---------------|
|  | \$'000        | \$'000        | \$'000        |
| <b>Net Current Assets (Working Capital) as per Accounts</b>  | <b>79,656</b> | <b>13,550</b> | <b>66,106</b> |
| <b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above | 16,483        | 14,623        | 1,860         |
| <b>Adjusted Net Current Assets</b>   | <b>96,139</b> | <b>28,173</b> | <b>67,966</b> |
| <b>Add:</b> Budgeted & expected to pay in the next 12 months                                       |               |               |               |
| - Borrowings   | 1,257         | 1,016         | 241           |
| - Employees leave entitlements   | 3,339         | 3,225         | 114           |
| - Deposits & retention moneys  | 4,548         | 4,659         | (111)         |
| <b>Less:</b> Externally restricted assets  | (7,741)       | (6,847)       | (894)         |
| <b>Less:</b> Internally restricted assets  | (29,716)      | (27,658)      | (2,058)       |
| <b>Available Working Capital as at 30 June</b>   | <b>67,826</b> | <b>2,568</b>  | <b>65,258</b> |

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

## 2.3 Debt

After repaying principal and interest of \$1.692 million and taking up new borrowings of \$60.35 million, total debt as at 30 June 2014 stood at \$64.37 million (2013 - \$5.035 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 5.25 to 1.





## 2.4 Summary

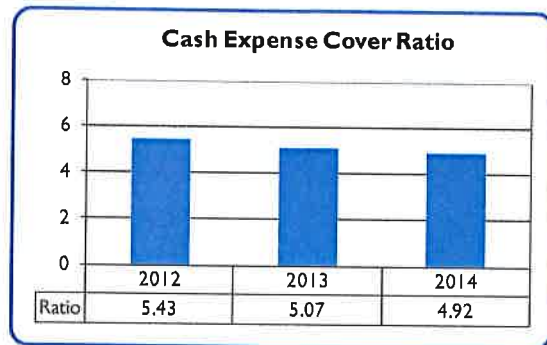
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

## 3. CASH ASSETS

### 3.1 Cash Expense Cover Ratio

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

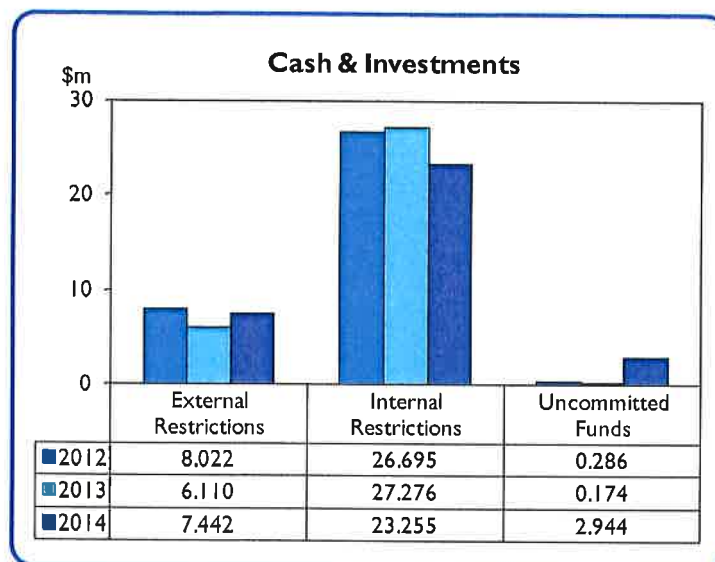
For 2014, this ratio stood at 4.92 months compared to the benchmark of 3.



### 3.2 Cash & Investment Securities

Cash and investments amounted \$33.641 million at 30 June 2014 as compared with \$33.560 million in 2013 and \$35.003 million in 2012.

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



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$4.455 million), domestic waste management charges (\$1.991 million), infrastructure, stormwater management & environmental levies (\$891,000) and specific purpose grants and contributions (\$105,000).

**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 \$23.255 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$2.944 million, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by \$4.075 million to \$9.478 million at the close of the year.

In addition to operating activities which contributed net cash of \$9.234 million were the proceeds from the sale of investment securities (\$42.972 million), proceeds from borrowings (\$60.35 million) and sale of assets (\$1.091 million). Cash outflows other than operating activities were used to purchase investment securities (\$38.5 million), repay borrowings (\$1.015 million) and to purchase and construct assets (\$70.057 million).

## 4. RECEIVABLES

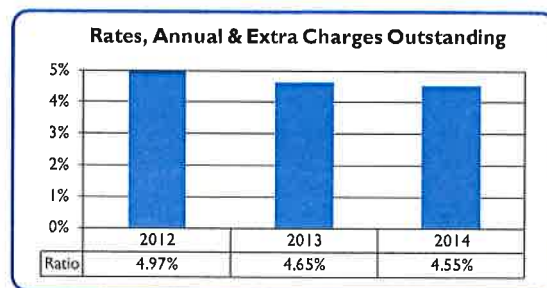
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$46.738 million and represented 61.85% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$48.605 million of which \$46.669 million (96%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$2.232 million at the end of the year and represented 4.55% of those receivables.



### 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$10.498 million and included net GST receivable of \$6.171 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$78,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated costs amounted to \$10.533 million. Internally restricted cash and investments of \$1.188 million was held representing 11% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

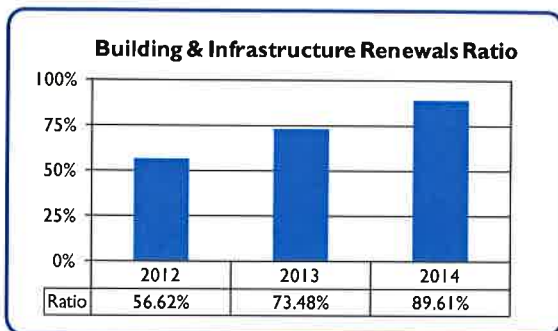
### 5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$14.040 million and were 70% funded by internally restricted cash and investments.

## 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.

Special Schedule No. 7 discloses that asset renewals for 2014 represented 90% 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 18 March 2014. This included our recommendations on possible ways to strengthen and/or improve procedures. We have discussed our findings with management and reviewed management's responses to our suggestions for improvement. We have been satisfied that attempts to strengthen controls have been initiated.

## 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 2014

---

*"...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 2014

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

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# Woollahra Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2014

---

*"...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 2014

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

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| - Special Schedule No. 2(a)            | Statement of Long Term Debt (all purposes)           | 4   |
| - Special Schedule No. 2(b)            | Statement of Internal Loans (Sect. 410(3) LGA 1993)  | n/a |
| - Special Schedule No. 3               | Water Supply Operations - incl. Income Statement     | n/a |
| - Special Schedule No. 4               | Water Supply - Statement of Financial Position       | n/a |
| - Special Schedule No. 5               | Sewerage Service Operations - incl. Income Statement | n/a |
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

# Woollahra Municipal Council

## Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2014

\$'000

| Function or Activity                                   | Expenses from Continuing Operations | Income from continuing operations |              | Net Cost of Services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
|  |                                     | Non Capital                       | Capital      |                      |
| <b>Governance</b>                                      | <b>2,790</b>                        | <b>20</b>                         | <b>-</b>     | <b>(2,770)</b>       |
| <b>Administration</b>                                  | <b>18,372</b>                       | <b>658</b>                        | <b>310</b>   | <b>(17,404)</b>      |
| <b>Public Order and Safety</b>                         |                                     |                                   |              |                      |
| Fire Service Levy, Fire Protection, Emergency Services | 2,859                               | -                                 | -            | (2,859)              |
| Beach Control  | -                                   | -                                 | -            | -                    |
| Enforcement of Local Govt. Regulations                 | 2,707                               | 7,858                             | -            | 5,151                |
| Animal Control   | 105                                 | 38                                | -            | (67)                 |
| Other  | -                                   | -                                 | -            | -                    |
| <b>Total Public Order &amp; Safety</b>                 | <b>5,671</b>                        | <b>7,896</b>                      | <b>-</b>     | <b>2,225</b>         |
| <b>Health</b>  | <b>359</b>                          | <b>95</b>                         | <b>-</b>     | <b>(264)</b>         |
| <b>Environment</b>                                     |                                     |                                   |              |                      |
| Noxious Plants and Insect/Vermin Control               | -                                   | -                                 | -            | -                    |
| Other Environmental Protection                         | 1,390                               | 538                               | -            | (852)                |
| Solid Waste Management                                 | 9,235                               | 13,498                            | -            | 4,263                |
| Street Cleaning  | 1,965                               | 75                                | -            | (1,890)              |
| Drainage   | 1,018                               | 498                               | 256          | (264)                |
| Stormwater Management                                  | -                                   | -                                 | -            | -                    |
| <b>Total Environment</b>                               | <b>13,608</b>                       | <b>14,609</b>                     | <b>256</b>   | <b>1,257</b>         |
| <b>Community Services and Education</b>                |                                     |                                   |              |                      |
| Administration & Education                             | 3,058                               | 1,042                             | -            | (2,016)              |
| Social Protection (Welfare)                            | -                                   | -                                 | -            | -                    |
| Aged Persons and Disabled                              | -                                   | -                                 | -            | -                    |
| Children's Services                                    | -                                   | -                                 | -            | -                    |
| <b>Total Community Services &amp; Education</b>        | <b>3,058</b>                        | <b>1,042</b>                      | <b>-</b>     | <b>(2,016)</b>       |
| <b>Housing and Community Amenities</b>                 |                                     |                                   |              |                      |
| Public Cemeteries                                      | -                                   | -                                 | -            | -                    |
| Public Conveniences                                    | -                                   | -                                 | -            | -                    |
| Street Lighting  | 1,448                               | 321                               | -            | (1,127)              |
| Town Planning  | 5,262                               | 1,758                             | 1,939        | (1,565)              |
| Other Community Amenities                              | -                                   | -                                 | -            | -                    |
| <b>Total Housing and Community Amenities</b>           | <b>6,710</b>                        | <b>2,079</b>                      | <b>1,939</b> | <b>(2,692)</b>       |



## Woollahra Municipal Council

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

for the financial year ended 30 June 2014

\$'000

| Function or Activity  | Expenses from Continuing Operations | Income from continuing operations |              | Net Cost of Services |
|---|-------------------------------------|-----------------------------------|--------------|----------------------|
|   |                                     | Non Capital                       | Capital      |                      |
| <b>Recreation and Culture</b>   |                                     |                                   |              |                      |
| Public Libraries  | 3,521                               | 482                               | -            | (3,039)              |
| Museums   | -                                   | -                                 | -            | -                    |
| Art Galleries   | -                                   | -                                 | -            | -                    |
| Community Centres and Halls   | 846                                 | 291                               | 376          | (179)                |
| Performing Arts Venues  | -                                   | -                                 | -            | -                    |
| Other Performing Arts   | -                                   | -                                 | -            | -                    |
| Other Cultural Services   | -                                   | -                                 | -            | -                    |
| Sporting Grounds and Venues   | -                                   | -                                 | -            | -                    |
| Swimming Pools  | -                                   | -                                 | -            | -                    |
| Parks & Gardens (Lakes)   | 7,633                               | 809                               | 157          | (6,667)              |
| Other Sport and Recreation  | 155                                 | 1                                 | -            | (154)                |
| <b>Total Recreation and Culture</b>   | <b>12,155</b>                       | <b>1,583</b>                      | <b>533</b>   | <b>(10,039)</b>      |
| <b>Fuel &amp; Energy</b>  | -                                   | -                                 | -            | -                    |
| <b>Agriculture</b>  | -                                   | -                                 | -            | -                    |
| <b>Mining, Manufacturing and Construction</b>                                       |                                     |                                   |              |                      |
| Building Control  | 1,324                               | 931                               | -            | (393)                |
| Other Mining, Manufacturing & Construction  | -                                   | -                                 | -            | -                    |
| <b>Total Mining, Manufacturing and Const.</b>                                       | <b>1,324</b>                        | <b>931</b>                        | -            | <b>(393)</b>         |
| <b>Transport and Communication</b>  |                                     |                                   |              |                      |
| Urban Roads (UR) - Local  | 5,624                               | 3,615                             | 226          | (1,783)              |
| 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   | 1,498                               | 1,617                             | -            | 119                  |
| Footpaths   | 1,751                               | 3                                 | -            | (1,748)              |
| Aerodromes  | -                                   | -                                 | -            | -                    |
| Other Transport & Communication   | 3,748                               | 1,559                             | -            | (2,189)              |
| <b>Total Transport and Communication</b>  | <b>12,621</b>                       | <b>6,794</b>                      | <b>226</b>   | <b>(5,601)</b>       |
| <b>Economic Affairs</b>   |                                     |                                   |              |                      |
| Camping Areas & Caravan Parks   | -                                   | -                                 | -            | -                    |
| Other Economic Affairs  | 1,800                               | 2,540                             | 100          | 840                  |
| <b>Total Economic Affairs</b>   | <b>1,800</b>                        | <b>2,540</b>                      | <b>100</b>   | <b>840</b>           |
| <b>Totals – Functions</b>   | <b>78,468</b>                       | <b>38,247</b>                     | <b>3,364</b> | <b>(36,857)</b>      |
| <b>General Purpose Revenues</b> <sup>(2)</sup>                                      |                                     | <b>33,960</b>                     |              | <b>33,960</b>        |
| <b>Share of interests - joint ventures &amp; associates using the equity method</b> | -                                   | -                                 |              | -                    |
| <b>NET OPERATING RESULT</b> <sup>(1)</sup>  | <b>78,468</b>                       | <b>72,207</b>                     | <b>3,364</b> | <b>(2,897)</b>       |

(1) As reported in the Income Statement

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

# Woollahra Municipal Council

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

for the financial year ended 30 June 2014

\$'000

| Classification of Debt      | Principal outstanding at beginning of the year |              |              | New Loans raised during the year | Debt redemption during the year |               | Transfers to Sinking Funds | Interest applicable for Year | Principal outstanding at the end of the year |               |               |
|-----------------------------|--|--------------|--------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|---------------|---------------|
|                             | Current  | Non Current  | Total        |                                  | From Revenue                    | Sinking Funds |                            |                              | Current                                      | Non Current   | Total         |
| <b>Loans (by Source)</b>    |  |              |              |                                  |                                 |               |                            |                              |  |               |               |
| Commonwealth Government     | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| Treasury Corporation        | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| Other State Government      | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| Public Subscription         | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| Financial Institutions      | 1,016  | 4,019        | <b>5,035</b> | 2,100                            | 1,015                           | -             | -                          | 377                          | 1,257  | 4,863         | <b>6,120</b>  |
| Other - Woolworths          | -  | -            | -            | 58,250                           | -                               | -             | -                          | 300                          | -  | 58,250        | <b>58,250</b> |
| <b>Total Loans</b>          | <b>1,016</b>                                   | <b>4,019</b> | <b>5,035</b> | <b>60,350</b>                    | <b>1,015</b>                    | <b>-</b>      | <b>-</b>                   | <b>677</b>                   | <b>1,257</b>                                 | <b>63,113</b> | <b>64,370</b> |
| <b>Other Long Term Debt</b> |  |              |              |                                  |                                 |               |                            |                              |  |               |               |
| Ratepayers Advances         | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| Government Advances         | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| Finance Leases              | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| Deferred Payments           | -  | -            | -            | -                                | -                               | -             | -                          | -                            | -  | -             | -             |
| <b>Total Long Term Debt</b> | <b>-</b>                                       | <b>-</b>     | <b>-</b>     | <b>-</b>                         | <b>-</b>                        | <b>-</b>      | <b>-</b>                   | <b>-</b>                     | <b>-</b>                                     | <b>-</b>      | <b>-</b>      |
| <b>Total Debt</b>           | <b>1,016</b>                                   | <b>4,019</b> | <b>5,035</b> | <b>60,350</b>                    | <b>1,015</b>                    | <b>-</b>      | <b>-</b>                   | <b>677</b>                   | <b>1,257</b>                                 | <b>63,113</b> | <b>64,370</b> |

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

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

# Woollahra Municipal Council

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

as at 30 June 2014

\$'000

| Asset Class      | Asset Category                           | Estimated cost to bring up to a satisfactory standard <sup>(1)</sup> | Required Annual Maintenance <sup>(2)</sup> | Actual Maintenance 2013/14 <sup>(3)</sup> | Written Down Value (WDV) <sup>(4)</sup> | Assets in Condition as a % of WDV <sup>(4), (5)</sup> |              |              |             |             |
|------------------|--|--|--|---|---|---|--------------|--------------|-------------|-------------|
|                  |  |  |  |   |   | 1   | 2            | 3            | 4           | 5           |
| <b>Buildings</b> | Council Offices / Administration Centres | 300  | 292  | 278                                       | 11,550                                  | 0%  | 100%         | 0%           | 0%          | 0%          |
|                  | Council Works Depot                      | 492  | 156  | 93  | 1,767                                   | 0%  | 0%           | 100%         | 0%          | 0%          |
|                  | Council Public Halls                     | 531  | 123  | 195                                       | 3,701                                   | 0%  | 29%          | 65%          | 6%          | 0%          |
|                  | Libraries                                | 625  | 97   | 104                                       | 516                                     | 0%  | 100%         | 0%           | 0%          | 0%          |
|                  | Other Buildings                          | 424  | 136  | 42  | 1,446                                   | 0%  | 54%          | 46%          | 0%          | 0%          |
|                  | Other - Car Park Buildings               | 555  | 81   | 57  | 4,420                                   | 0%  | 0%           | 100%         | 0%          | 0%          |
|                  | Other - Park Buildings                   | 441  | 79   | 71  | 3,483                                   | 0%  | 57%          | 34%          | 9%          | 0%          |
|                  | Other - Toilets & Amenities              | 299  | 33   | 43  | 873                                     | 0%  | 16%          | 84%          | 0%          | 0%          |
|                  | <b>sub total</b>                         | <b>3,667</b>   | <b>997</b>                                 | <b>883</b>                                | <b>27,756</b>                           | <b>0.0%</b>   | <b>57.8%</b> | <b>40.3%</b> | <b>1.9%</b> | <b>0.0%</b> |
| <b>Roads</b>     | Sealed Roads Surface                     | 996  | 156  | 128                                       | 24,824                                  | 37%   | 5%           | 31%          | 25%         | 2%          |
|                  | Sealed Roads Structure                   | 5,885  | 369  | 304                                       | 41,168                                  | 87%   | 8%           | 4%           | 0%          | 0%          |
|                  | Bridges                                  | -  | 11   | -   | 2,038                                   | 0%  | 100%         | 0%           | 0%          | 0%          |
|                  | Footpaths                                | 425  | 193  | 576                                       | 31,735                                  | 6%  | 64%          | 28%          | 2%          | 0%          |
|                  | Kerb and Gutter                          | 14   | 191  | 104                                       | 33,923                                  | 9%  | 42%          | 35%          | 13%         | 1%          |
|                  | Other Road Assets                        | 200  | 13   | -   | 4,698                                   | 100%  | 0%           | 0%           | 0%          | 0%          |
|                  | <b>sub total</b>                         | <b>7,520</b>   | <b>933</b>                                 | <b>1,112</b>                              | <b>138,386</b>                          | <b>39.5%</b>  | <b>29.7%</b> | <b>21.9%</b> | <b>8.2%</b> | <b>0.8%</b> |

Woollahra Municipal Council

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

\$'000

| Asset Class                     | Asset Category          | Estimated cost to bring up to a satisfactory standard <sup>(1)</sup> | Required Annual Maintenance <sup>(2)</sup> | Actual Maintenance 2013/14 <sup>(3)</sup> | Written Down Value (WDV) <sup>(4)</sup> | Assets in Condition as a % of WDV <sup>(4), (5)</sup> |              |              |             |             |
|---------------------------------|-------------------------|--|--|---|---|---|--------------|--------------|-------------|-------------|
|                                 |                         |  |  |   |   | 1   | 2            | 3            | 4           | 5           |
| Stormwater Drainage             | Stormwater Conduits     | 2,210  | 255  | 235                                       | 24,859                                  | 54%   | 13%          | 14%          | 6%          | 13%         |
|                                 | Inlet and Junction Pits | 1,211  | 96   | 89  | 7,011                                   | 97%   | 3%           | 0%           | 0%          | 0%          |
|                                 | Outfall Structures      | -  | 51   | 51  | 1,564                                   | 0%  | 60%          | 40%          | 0%          | 0%          |
|                                 | <b>sub total</b>        | <b>3,421</b>   | <b>402</b>                                 | <b>375</b>                                | <b>33,434</b>                           | <b>60.5%</b>  | <b>13.1%</b> | <b>12.3%</b> | <b>4.5%</b> | <b>9.7%</b> |
| Open Space/ Recreational Assets | Swimming Pools          | -  | 50   | 46  | 3,131                                   | 93%   | 0%           | 7%           | 0%          | 0%          |
|                                 | Other                   | 239  | 3,185                                      | 2,896                                     | 23,072                                  | 44%   | 12%          | 44%          | 0%          | 0%          |
|                                 | <b>sub total</b>        | <b>239</b>   | <b>3,235</b>                               | <b>2,942</b>                              | <b>26,203</b>                           | <b>49.6%</b>  | <b>10.6%</b> | <b>39.6%</b> | <b>0.3%</b> | <b>0.0%</b> |
| <b>TOTAL - ALL ASSETS</b>       |                         | <b>14,847</b>  | <b>5,567</b>                               | <b>5,312</b>                              | <b>225,779</b>                          | <b>38.9%</b>  | <b>28.5%</b> | <b>24.8%</b> | <b>5.9%</b> | <b>1.9%</b> |

Notes:

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

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

## Woollahra Municipal Council

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

| \$ '000  | Amounts        | Indicator     | Prior Periods |        |
|--|----------------|---------------|---------------|--------|
|  | 2014           | 2014          | 2013          | 2012   |
| <b>Infrastructure Asset Performance Indicators Consolidated</b>  |                |               |               |        |
| <b>1. Building and Infrastructure Renewals Ratio</b>   |                |               |               |        |
| Asset Renewals (Building and Infrastructure) <sup>(1)</sup>  | <u>7,622</u>   | <b>89.61%</b> | 73.48%        | 56.62% |
| Depreciation, Amortisation & Impairment  | <u>8,506</u>   |               |               |        |
| <b>1(a). Building Renewals Ratio</b>   |                |               |               |        |
| Asset Renewals (Buildings) <sup>(1)</sup>  | <u>1,526</u>   | <b>74.91%</b> | 5.04%         | 12.14% |
| Depreciation, Amortisation & Impairment  | <u>2,037</u>   |               |               |        |
| <b>1(b). Infrastructure Renewals Ratio</b>   |                |               |               |        |
| Asset Renewals (Infrastructure) <sup>(1)</sup>   | <u>6,096</u>   | <b>94.23%</b> | 100.73%       | 74.25% |
| Depreciation, Amortisation & Impairment  | <u>6,469</u>   |               |               |        |
| <b>2. Infrastructure Backlog Ratio</b>   |                |               |               |        |
| Estimated Cost to bring Assets to a Satisfactory Condition   | <u>14,847</u>  | <b>0.07</b>   | 0.06          | 0.05   |
| Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets | <u>225,779</u> |               |               |        |
| <b>3. Asset Maintenance Ratio</b>  |                |               |               |        |
| Actual Asset Maintenance   | <u>5,312</u>   | <b>0.95</b>   | 1.10          | 1.05   |
| Required Asset Maintenance   | <u>5,567</u>   |               |               |        |
| <b>4. Capital Expenditure Ratio</b>  |                |               |               |        |
| Annual Capital Expenditure   | <u>9,094</u>   | <b>0.89</b>   | 1.13          | 0.95   |
| Annual Depreciation  | <u>10,254</u>  |               |               |        |

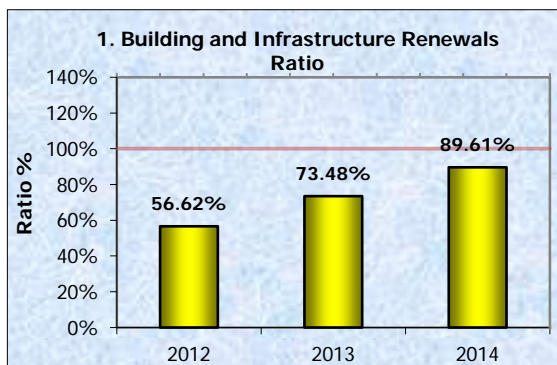
#### Notes

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

<sup>(2)</sup> Written down value

# Woollahra Municipal Council

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



— Minimum 100.00%

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

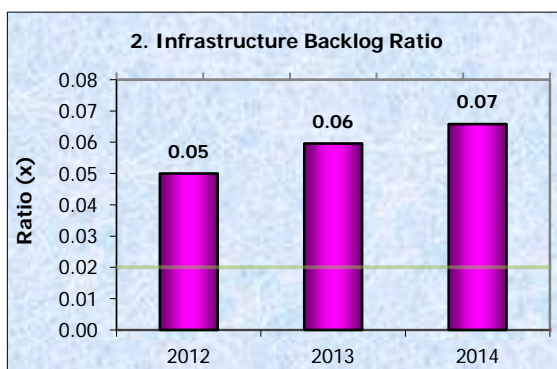
### Purpose of Asset Renewals Ratio

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

### Commentary on 2013/14 Result

**2013/14 Ratio 89.61%**

While improving, Council recognises that it needs to increase its investment in asset renewal.



— Maximum .02

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

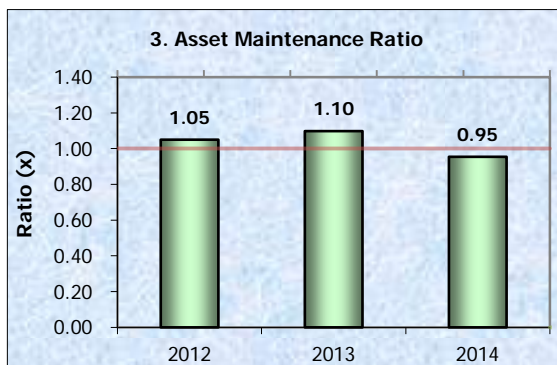
### Purpose of Infrastructure Backlog Ratio

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

### Commentary on 2013/14 Result

**2013/14 Ratio 0.07 x**

This ratio reflects Council's Building & Infrastructure Renewals Ratio being less than 100% for a number of years.



— Minimum 1.00

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

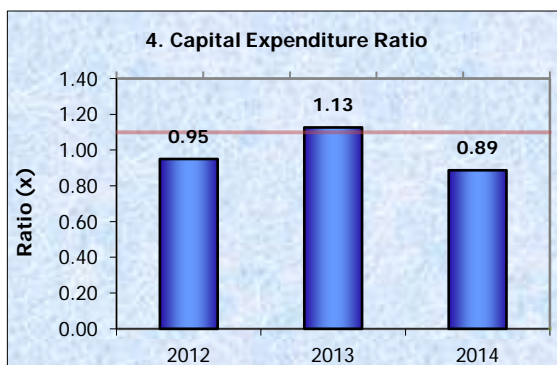
### Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

### Commentary on 2013/14 Result

**2013/14 Ratio 0.95 x**

This ratio has fallen to just below the benchmark level of 1 for the first time in a number of years. Over the 3 years combined it remains above the benchmark.



— Minimum 1.10

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

### Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

### Commentary on 2013/14 Result

**2013/14 Ratio 0.89 x**

The 13/14 ratio was influenced by the write off of Open Space Assets to the value of \$1.571m. Without this the ratio would have been 1.04 and close to TCorp's benchmark.

# Woollahra Municipal Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2014

| \$'000   | Actual <sup>(1)</sup><br>13/14 | Forecast <sup>(3)</sup><br>14/15 | Forecast <sup>(3)</sup><br>15/16 | Forecast <sup>(3)</sup><br>16/17 | Forecast <sup>(3)</sup><br>17/18 | Forecast <sup>(3)</sup><br>18/19 | Forecast <sup>(3)</sup><br>19/20 | Forecast <sup>(3)</sup><br>20/21 | Forecast <sup>(3)</sup><br>21/22 | Forecast <sup>(3)</sup><br>22/23 | Forecast <sup>(3)</sup><br>23/24 |
|--|--------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>(i) OPERATING BUDGET</b>                        |                                |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| Income from continuing operations                  | 75,571                         | 88,577                           | 87,149                           | 92,049                           | 95,031                           | 97,901                           | 100,715                          | 103,709                          | 106,635                          | 109,447                          | 111,564                          |
| Expenses from continuing operations                | 78,468                         | 83,243                           | 88,775                           | 91,241                           | 93,861                           | 96,157                           | 99,017                           | 102,151                          | 104,457                          | 107,988                          | 110,345                          |
| <b>Operating Result from Continuing Operations</b> | <b>(2,897)</b>                 | <b>5,334</b>                     | <b>(1,626)</b>                   | <b>808</b>                       | <b>1,170</b>                     | <b>1,744</b>                     | <b>1,698</b>                     | <b>1,558</b>                     | <b>2,178</b>                     | <b>1,459</b>                     | <b>1,219</b>                     |
| <b>(ii) CAPITAL BUDGET</b>                         |                                |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| New Capital Works <sup>(2)</sup>                   | 58,250                         | 52,950                           | -                                | -                                | -                                | -                                | -                                | -                                | -                                | -                                | -                                |
| Replacement/Refurbishment of Existing Assets       | 14,168                         | 13,148                           | 13,977                           | 13,844                           | 13,041                           | 13,918                           | 14,204                           | 14,078                           | 16,189                           | 16,072                           | 15,407                           |
| <b>Total Capital Budget</b>                        | <b>72,418</b>                  | <b>66,098</b>                    | <b>13,977</b>                    | <b>13,844</b>                    | <b>13,041</b>                    | <b>13,918</b>                    | <b>14,204</b>                    | <b>14,078</b>                    | <b>16,189</b>                    | <b>16,072</b>                    | <b>15,407</b>                    |
| <b>Funded by:</b>                                  |                                |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |                                  |
| - Loans  | 58,688                         | 32,124                           | -                                | -                                | -                                | -                                | -                                | -                                | -                                | -                                | -                                |
| - Asset sales                                      | 719                            | 883                              | 1,219                            | 1,544                            | 1,172                            | 1,490                            | 1,501                            | 1,633                            | 1,759                            | 1,479                            | 1,703                            |
| - Reserves   | 2,208                          | 21,738                           | 2,261                            | 1,975                            | 1,116                            | 1,438                            | 1,511                            | 510                              | 2,434                            | 2,159                            | 884                              |
| - Grants/Contributions                             | 3,527                          | 3,341                            | 1,378                            | 1,284                            | 1,315                            | 1,316                            | 1,512                            | 1,513                            | 1,515                            | 1,516                            | 1,517                            |
| - Recurrent revenue                                | 7,231                          | 8,012                            | 9,119                            | 9,041                            | 9,438                            | 9,674                            | 9,680                            | 10,422                           | 10,481                           | 10,918                           | 11,303                           |
| - Other  | 45                             | -                                | -                                | -                                | -                                | -                                | -                                | -                                | -                                | -                                | -                                |
|  | <b>72,418</b>                  | <b>66,098</b>                    | <b>13,977</b>                    | <b>13,844</b>                    | <b>13,041</b>                    | <b>13,918</b>                    | <b>14,204</b>                    | <b>14,078</b>                    | <b>16,189</b>                    | <b>16,072</b>                    | <b>15,407</b>                    |

### Notes:

(1) From 13/14 Income Statement.

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

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework adopted by Council on 23 June 2014 and due for review later in 2014.

## Woollahra Municipal Council

### Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

| \$'000  |                 | Calculation<br>2013/14 | Calculation<br>2014/15 |
|---|-----------------|------------------------|------------------------|
| <b>Notional General Income Calculation <sup>(1)</sup></b>           |                 |                        |                        |
| Last Year Notional General Income Yield                             | a               | 34,142                 | 35,322                 |
| Plus or minus Adjustments <sup>(2)</sup>                            | b               | (13)                   | 13                     |
| <b>Notional General Income</b>                                      | c               | <b>34,130</b>          | <b>35,335</b>          |
| <b>Permissible Income Calculation</b>                               |                 |                        |                        |
| Special variation percentage <sup>(3)</sup>                         | d               |                        |                        |
| or Rate peg percentage  | e               | 3.40%                  | 2.30%                  |
| or Crown land adjustment incl. rate peg percentage                  | f               |                        |                        |
| less expiring Special variation amount                              | g               | -                      | -                      |
| plus Special variation amount                                       | h = c x d       | -                      | -                      |
| or plus Rate peg amount   | i = c x e       | 1,160                  | 813                    |
| or plus Crown land adjustment and rate peg amount                   | j = c x f       | -                      | -                      |
| <b>sub-total</b>  | k = (c+g+h+i+j) | <b>35,290</b>          | <b>36,148</b>          |
| plus (or minus) last year's Carry Forward Total                     | l               | -                      | 0                      |
| less Valuation Objections claimed in the previous year              | m               | (2)                    | (34)                   |
| <b>sub-total</b>  | n = (l + m)     | <b>(2)</b>             | <b>(34)</b>            |
| <b>Total Permissible income</b>                                     | o = k + n       | <b>35,288</b>          | <b>36,114</b>          |
| less Notional General Income Yield                                  | p               | 35,322                 | 36,113                 |
| <b>Catch-up or (excess) result</b>                                  | q = o - p       | <b>(34)</b>            | <b>1</b>               |
| plus Income lost due to valuation objections claimed <sup>(4)</sup> | r               | 34                     | 9                      |
| less Unused catch-up <sup>(5)</sup>                                 | s               | -                      | -                      |
| <b>Carry forward to next year</b>                                   | t = q + r - s   | <b>0</b>               | <b>10</b>              |

#### Notes

- <sup>1</sup> The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- <sup>2</sup> Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- <sup>5</sup> Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



**WOOLLAHRA MUNICIPAL COUNCIL**

**SPECIAL SCHEDULE NO. 9**

**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON SPECIAL SCHEDULE NO. 9**

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

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

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

***Auditors' Responsibility***

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

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

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

**Assurance Partners**

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In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

***Independence***

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

***Audit Opinion***

In our opinion, Special Schedule No. 9 of Woollahra Municipal Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Basis of Accounting***

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

**HILL ROGERS SPENCER STEER**



**GARY MOTTAU**

Partner

Dated at Sydney this 15th day of October 2014