



2011/2012 Annual Report

Part 5 Financial Statements

Woollahra Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012

*"...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 2012

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Balance Sheet	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	76
- On the Conduct of the Audit (Sect 417 [3])	78

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 specified in Paragraph 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government 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 23/10/12. Council has the power to amend and reissue the financial statements.
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Woollahra Municipal Council

General Purpose Financial Statements for the financial year ended 30 June 2012

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

A summary of 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. A Statement of Comprehensive Income

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

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

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

5. A 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 the Council's financial performance and financial position.

Who uses the Financial Statements ?

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

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

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

Woollahra Municipal Council

General Purpose Financial Statements for the financial year ended 30 June 2012

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 22 October 2012.



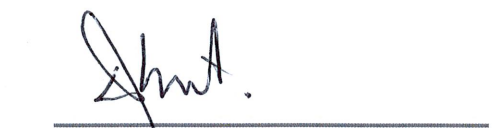
Andrew Petrie
MAYOR



Katherine O'Regan
COUNCILLOR



Gary James
GENERAL MANAGER



Don Johnston, Manager Finance
RESPONSIBLE ACCOUNTING OFFICER

Woollahra Municipal Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾				Actual	Actual
2012	\$ '000		Notes	2012	2011
Income from Continuing Operations					
Revenue:					
41,974	Rates & Annual Charges	3a		41,885	40,009
9,383	User Charges & Fees	3b		8,671	9,474
2,360	Interest & Investment Revenue	3c		2,932	2,522
10,758	Other Revenues	3d		10,438	16,474
2,858	Grants & Contributions provided for Operating Purposes	3e,f		3,515	2,988
4,350	Grants & Contributions provided for Capital Purposes	3e,f		3,620	3,731
Other Income:					
27	Net gains from the disposal of assets	5		-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19		-	-
71,710	Total Income from Continuing Operations			71,061	75,198
Expenses from Continuing Operations					
31,607	Employee Benefits & On-Costs	4a		32,425	30,581
507	Borrowing Costs	4b		507	568
11,511	Materials & Contracts	4c		12,623	13,124
9,581	Depreciation & Amortisation	4d		10,290	9,080
-	Impairment	4d		-	-
13,842	Other Expenses	4e		13,498	13,830
-	Net Losses from the Disposal of Assets	5		830	1,223
67,048	Total Expenses from Continuing Operations			70,173	68,406
4,662	Operating Result from Continuing Operations			888	6,792
Discontinued Operations					
-	Net Profit/(Loss) from Discontinued Operations	24		-	-
4,662	Net Operating Result for the Year			888	6,792
4,662	Net Operating Result attributable to Council			888	6,792
-	Net Operating Result attributable to Minority Interests			-	-
312	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			(2,732)	3,061

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

Woollahra Municipal Council

Statement of Comprehensive Income for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		888	6,792
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	49,699
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b (ii)	-	-
Total Other Comprehensive Income for the year		-	49,699
Total Comprehensive Income for the Year		888	56,491
Total Comprehensive Income attributable to Council		888	56,491
Total Comprehensive Income attributable to Minority Interests		-	-

Woollahra Municipal Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	7,701	4,270
Investments	6b	27,302	29,136
Receivables	7	5,630	5,751
Inventories	8	187	172
Other	8	846	918
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		41,666	40,247
Non-Current Assets			
Investments	6b	-	1,000
Receivables	7	110	106
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	582,744	583,265
Investments accounted for using the equity method	19	-	-
Investment Property	14	19,075	19,075
Intangible Assets	25	-	-
Total Non-Current Assets		601,929	603,446
TOTAL ASSETS		643,595	643,693
LIABILITIES			
Current Liabilities			
Payables	10	17,653	18,416
Borrowings	10	944	873
Provisions	10	9,232	8,617
Total Current Liabilities		27,829	27,906
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	5,035	5,979
Provisions	10	251	216
Total Non-Current Liabilities		5,286	6,195
TOTAL LIABILITIES		33,115	34,101
Net Assets		610,480	609,592
EQUITY			
Retained Earnings	20	503,668	502,780
Revaluation Reserves	20	106,812	106,812
Council Equity Interest		610,480	609,592
Minority Equity Interest		-	-
Total Equity		610,480	609,592

Woollahra Municipal Council

Statement of Changes in Equity for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		502,780	106,812	609,592	-	609,592
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		502,780	106,812	609,592	-	609,592
c. Net Operating Result for the Year		888	-	888	-	888
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		888	-	888	-	888
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		503,668	106,812	610,480	-	610,480

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		857,138	57,113	914,251	-	914,251
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	(361,150)	-	(361,150)	-	(361,150)
Revised Opening Balance (as at 1/7/10)		495,988	57,113	553,101	-	553,101
c. Net Operating Result for the Year		6,792	-	6,792	-	6,792
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	49,699	49,699	-	49,699
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	49,699	49,699	-	49,699
Total Comprehensive Income (c&d)		6,792	49,699	56,491	-	56,491
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		502,780	106,812	609,592	-	609,592

Woollahra Municipal Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
41,795	Rates & Annual Charges		41,843	39,787
8,507	User Charges & Fees		9,062	9,792
2,355	Investment & Interest Revenue Received		2,437	2,449
7,753	Grants & Contributions		7,357	6,687
-	Bonds, Deposits & Retention amounts received		3,294	4,533
12,162	Other		13,527	11,927
Payments:				
(31,184)	Employee Benefits & On-Costs		(31,635)	(30,550)
(12,809)	Materials & Contracts		(14,746)	(14,029)
(507)	Borrowing Costs		(513)	(571)
-	Bonds, Deposits & Retention amounts refunded		(3,114)	(3,643)
(15,150)	Other		(15,822)	(13,871)
-	Net Cash from derecognition of Holdsworth St		-	(888)
12,922	Net Cash provided (or used in) Operating Activities	11b	11,689	11,623
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		58,887	3,070
1,477	Sale of Infrastructure, Property, Plant & Equipment		1,237	920
Payments:				
-	Purchase of Investment Securities		(55,476)	(4,000)
(14,108)	Purchase of Infrastructure, Property, Plant & Equipment		(12,033)	(14,109)
(12,631)	Net Cash provided (or used in) Investing Activities		(7,385)	(14,119)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(873)	Repayment of Borrowings & Advances		(873)	(814)
(873)	Net Cash Flow provided (used in) Financing Activities		(873)	(814)
(582)	Net Increase/(Decrease) in Cash & Cash Equivalents		3,431	(3,310)
27,242	plus: Cash & Cash Equivalents - beginning of year	11a	4,270	7,580
26,660	Cash & Cash Equivalents - end of the year	11a	7,701	4,270
Additional Information:				
	plus: Investments on hand - end of year	6b	27,302	30,136
Total Cash, Cash Equivalents & Investments			35,003	34,406

Please refer to Note 11 for additional cash flow information

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	27
2(b)	Council Functions / Activities - Component Descriptions	28
3	Income from Continuing Operations	29
4	Expenses from Continuing Operations	34
5	Gains or Losses from the Disposal of Assets	38
6(a)	Cash & Cash Equivalents	39
6(b)	Investments	39
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	41
7	Receivables	43
8	Inventories & Other Assets	44
9(a)	Infrastructure, Property, Plant & Equipment	45
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	46
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	46
10(a)	Payables, Borrowings & Provisions	47
10(b)	Description of (& movements in) Provisions	48
11	Statement of Cash Flows - Additional Information	49
12	Commitments for Expenditure	51
13a	Statements of Performance Measures:	
	(i) Local Government Industry Indicators (Consolidated)	53
	(ii) Local Government Industry Graphs (Consolidated)	54
14	Investment Properties	55
15	Financial Risk Management	56
16	Material Budget Variations	61
17	Statement of Developer Contributions	64
18	Contingencies and Other Liabilities/Assets not recognised	67
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	70
20	Equity - Retained Earnings and Revaluation Reserves	71
21	Financial Result & Financial Position by Fund	73
22	"Held for Sale" Non Current Assets & Disposal Groups	73
23	Events occurring after Balance Sheet Date	73
24	Discontinued Operations	74
25	Intangible Assets	74
26	Reinstatement, Rehabilitation & Restoration Liabilities	74
	Additional Council Disclosures	
27	Council Information & Contact Details	75

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & 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 Australian Accounting Standards (AASB's) are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

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

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

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

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

(i) The Consolidated Fund

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

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(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 & 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 & 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 & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if 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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 2012, consistent with 2011, are:

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

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

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

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

(h) Receivables

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

Receivables (excluding Rates & 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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

collect all amounts due according to the original terms of each receivable.

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

Council holds no land for resale.

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

Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

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

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

Initial Recognition

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

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

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Capitalisation Thresholds

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

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

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

Buildings & Land Improvements

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

Stormwater Assets	
Drains & Culverts	> \$5,000
Other	> \$5,000

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

Depreciation

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Land is not depreciated.

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

Plant & 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 & 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(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(o) Investment properties

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

Investment properties are 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" & Discontinued Operations

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

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

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

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

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

A Discontinued Operation is a component of the entity 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.

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

(r) Payables

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

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(s) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(t) Borrowing costs

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

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

(u) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(v) Employee benefits

(i) Short Term Obligations

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

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

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

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

Wages & 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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. The share of this deficit that can be broadly attributed to Council was estimated by the Scheme to be in the order of \$2,284,160 at 30 June 2012.

As a result, L.G.S.S has asked for significant increases in future contributions to recover that deficiency.

While the Scheme has provided a broad estimate, 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.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 June 2012.

(w) Self insurance

Council does not self insure.

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

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

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

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 & Services Tax (GST)

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

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

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

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

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

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

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

(z) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

Council has not adopted any of these standards early.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the 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.

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 derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

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 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which 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.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

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

Applicable to Local Government but no implications for Council;

None

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

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

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

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

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

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

None

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

(aa) Rounding of amounts

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

(ab) Comparative Figures

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

(ac) Disclaimer

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Original Budget 2012	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Governance	10	6	7	2,421	2,442	2,308	(2,411)	(2,436)	(2,301)	(0)	-	0	(0)
Community well-being													
A connected and harmonious community	38	41	38	783	749	731	(745)	(708)	(693)	38	36	4,178	-
A supported community	1,019	1,105	1,058	2,088	2,158	2,617	(1,069)	(1,053)	(1,559)	242	204	1,736	2,312
A creative and vibrant community	506	481	483	3,504	3,486	3,289	(2,998)	(3,005)	(2,806)	143	139	5,428	5,746
Quality places and spaces													
Well planned neighbourhoods	2,656	2,255	4,148	6,086	6,118	6,009	(3,430)	(3,863)	(1,861)	-	-	739	-
Liveable places	4,295	4,706	4,913	19,041	19,902	19,401	(14,746)	(15,196)	(14,488)	2,504	2,087	428,875	475,363
Getting around	9,237	7,963	8,370	3,229	3,225	3,010	6,008	4,738	5,360	21	463	60,653	49,434
A healthy environment													
Protecting our environment	41	52	47	1,157	1,223	1,929	(1,116)	(1,171)	(1,882)	42	46	31,983	-
Sustainable use of resources	11,620	11,591	10,377	8,464	8,796	8,340	3,156	2,795	2,037	461	38	2,399	401
Local prosperity													
Community focused economic developm't	298	77	17	2,309	2,226	2,240	(2,011)	(2,149)	(2,223)	9	-	1,203	-
Community leadership & participation													
Working together	-	-	29	569	595	664	(569)	(595)	(635)	-	-	10,981	-
Well managed Council	9,354	9,623	14,431	17,397	19,253	17,868	(8,043)	(9,630)	(3,437)	81	67	57,978	73,323
Total Functions & Activities	39,074	37,900	43,918	67,048	70,173	68,406	(27,974)	(32,273)	(24,488)	3,541	3,080	606,153	606,579
General Purpose Income ¹	32,636	33,161	31,280				32,636	33,161	31,280	2,033	1,604	37,442	37,114
Operating Result from Continuing Operations	71,710	71,061	75,198	67,048	70,173	68,406	4,662	888	6,792	5,574	4,684	643,595	643,693

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

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

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

Theme: Community well-being

Goal 1: A connected and harmonious community

Woollahra will be a community where people care for each other, have a sense of belonging and can 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 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 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 its 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 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 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 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 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 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 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		24,517	23,462
Business		4,216	4,141
Total Ordinary Rates		28,733	27,603
Special Rates			
Environmental & Infrastructure Renewal Levy		3,396	3,341
Total Special Rates		3,396	3,341
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		9,231	8,544
Stormwater Management Services		483	481
Section 611 Charges		42	40
Total Annual Charges		9,756	9,065
TOTAL RATES & ANNUAL CHARGES		41,885	40,009

Council has used 2009 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 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,762	1,634
Total User Charges		1,762	1,634
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
- Inspection Fees		63	101
- Registration Fees & Permits		151	153
- Principal Certifying Authority Fees		55	80
- Hoarding Fees		78	198
- Compliance Levy		185	196
- Development Application Fees		582	596
- Section 96 Amendment Application Fees		197	215
- Certificate Fees		593	603
- Advertising Fees		298	217
- Subdivision Application Fees		9	12
Total Fees & Charges - Statutory/Regulatory		2,211	2,371
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Casual Park Hire		63	103
Construction Zone Charges		433	321
Credit Card Usage Charge		93	90
File Retrieval Charges		69	86
Filming Fees		67	74
Fire Safety Statement Lodgement Fee		66	62
Footpath Crossing Administration Fees		63	67
Preschool Fees		727	719
Mobile Bin & Crate Sales		41	70
Parking Meters		1,590	1,632
Parking Permits - Residential		355	351
Pre DA Lodgement Advice Service Fees		21	22
Restoration Charges		821	1,426
Tree Preservation Order Applications		41	40
Tree Pruning Income		78	64
Other		169	343
Total Fees & Charges - Other		4,698	5,469
TOTAL USER CHARGES & FEES		8,671	9,474

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		195	147
- Interest earned on Investments (interest & coupon payment income)		2,160	2,413
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		577	(38)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,932</u>	<u>2,522</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		195	147
General Council Cash & Investments		1,206	1,009
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94 and Section 94A		268	265
Other Externally Restricted Assets		160	135
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		1,103	966
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,932</u>	<u>2,522</u>
(d). Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	6,540
Rental Income - Investment Properties	14	560	549
Rental Income - Other Council Properties		3,750	3,526
Ex Gratia Rates		86	97
Fines - Parking		4,467	4,426
Fines - Other		292	292
Private Use Contributions		364	355
Recovered Costs & Reimbursements		481	355
Recycling Income (non domestic)		16	22
Risk Management Bonuses		117	147
Easement Compensation		116	-
Other		189	166
<u>TOTAL OTHER REVENUE</u>		<u>10,438</u>	<u>16,474</u>

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	1,935	1,504	-	-
Pensioners' Rates Subsidies - General Component	97	100	-	-
Total General Purpose	2,033	1,604	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	45	43	-	-
Community Care	90	83	-	-
Environmental Works	-	-	394	404
Flood Study Works	-	-	-	50
Preschool	190	150	-	-
State Library Subsidy	131	102	-	-
Library Special Grant	12	-	-	37
Open Space	-	-	1,156	1,221
Street Lighting	313	306	-	-
Transport (Roads to Recovery)	194	194	-	-
Transport (Other Roads & Bridges Funding)	136	149	311	109
Drainage	-	-	328	-
Other	111	98	131	134
Total Specific Purpose	1,221	1,125	2,320	1,955
Total Grants	3,254	2,729	2,320	1,955
Grant Revenue is attributable to:				
- Commonwealth Funding	2,130	1,698	386	1,302
- State Funding	1,041	955	1,929	532
- Other Funding	83	76	5	121
	3,254	2,729	2,320	1,955

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	-	24
S 94A - Fixed Development Consent Levies	-	-	1,215	1,692
Total Developer Contributions	17	-	1,215	1,716
Other Contributions:				
Contributions to Works	47	44	85	60
Paddington Library	208	206	-	-
Other	6	9	-	-
Total Other Contributions	261	259	85	60
Total Contributions	261	259	1,300	1,776
TOTAL GRANTS & CONTRIBUTIONS	3,515	2,988	3,620	3,731

\$ '000	Actual 2012	Actual 2011
(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	5,336	4,893
add: Grants & contributions recognised in the current period but not yet spent:	1,879	2,454
less: Grants & contributions recognised in a previous reporting period now spent:	(2,192)	(2,012)
Net Increase (Decrease) in Restricted Assets during the Period	(313)	443
Unexpended and held as Restricted Assets	5,023	5,336
Comprising:		
- Specific Purpose Unexpended Grants	1,070	1,188
- Developer Contributions	3,953	4,148
	5,023	5,336

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		23,173	22,297
Travelling		11	14
Employee Leave Entitlements (ELE)		5,031	4,080
Superannuation		2,807	3,003
Workers' Compensation Insurance		1,192	1,013
Fringe Benefit Tax (FBT)		237	235
Training Costs (other than Salaries & Wages)		330	342
Other		46	20
Total Employee Costs		32,827	31,004
less: Capitalised Costs		(402)	(423)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>32,425</u>	<u>30,581</u>
Number of "Equivalent Full Time" Employees at year end		367	367
Number of "Equivalent Full Time" Positions at year end (incl. vacancies)		380	382
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		507	568
Total Interest Bearing Liability Costs		507	568
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		507	568
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>507</u>	<u>568</u>

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		5,071	5,159
Contractor & Consultancy Costs			
- General Contractor & Consultancy Costs		3,183	3,754
- Maintenance & Security Contracts		786	784
- Recycling		1,454	1,380
Auditors Remuneration ⁽¹⁾		110	50
Infringement Notice Contract Costs (SEINS)		740	756
Legal Expenses:			
- Legal Expenses: Planning & Development		551	703
- Legal Expenses: Other		653	474
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		75	65
Total Materials & Contracts		12,623	13,124
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		12,623	13,124
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		52	50
- Internal audit & assurance services		58	-
Remuneration for audit and other assurance services		110	50
Total Auditor Remuneration		110	50
2. Operating Lease Payments are attributable to:			
Photocopiers		75	65
		75	65

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	1,128	1,079
Office Equipment		-	-	334	461
Furniture & Fittings		-	-	14	37
Buildings - Non Specialised		-	-	1,477	910
Buildings - Specialised		-	-	570	341
Other Structures		-	-	1,262	903
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	4,593	4,463
- Stormwater Drainage		-	-	576	562
Other Assets					
- Library Books		-	-	337	325
Total Depreciation & Impairment Costs		-	-	10,290	9,080
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,290	9,080

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		357	353
Bad & Doubtful Debts		11	41
Bank Charges		205	217
Contributions to Double Bay Partnership		12	48
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		263	256
- NSW Fire Brigade Levy		2,458	2,389
- State Emergency Services		88	91
Councillor Expenses - Mayoral Fee		38	34
Councillor Expenses - Councillors' Fees		251	239
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		24	23
Derecognition of Consolidated Entity Holdsworth St		-	649
- Donations, Contributions & Assistance Holdsworth		720	720
- Donations, Contributions & Assistance - Waverley/Woollahra SES		46	52
- Donations, Contributions & Assistance (Other)		65	69
Electricity & Heating		329	277
File Archival & Retrieval Costs		182	167
Insurance Deductibles & Claims Payments		310	533
Insurance Premiums		1,235	1,210
Office Rental		25	31
Postage		138	124
Recoverable Expenses		225	210
Registration		142	130
Street Lighting		1,336	1,316
Telephone & Communications		197	197
Valuation Fees		64	65
Waste Disposal Costs		3,859	3,485
Water & Council Rates		230	247
Other		688	655
Total Other Expenses		13,498	13,830
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		13,498	13,830

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal - Property		421	-
less: Carrying Amount of Property Assets Sold / Written Off		-	-
Net Gain/(Loss) on Disposal		421	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,119	840
less: Carrying Amount of P&E Assets Sold / Written Off		(1,295)	(1,145)
Net Gain/(Loss) on Disposal		(176)	(305)
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(1,075)	(918)
Net Gain/(Loss) on Disposal		(1,075)	(918)
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		58,887	33,070
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(58,887)	(33,070)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(830)</u>	<u>(1,223)</u>

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 6a. - Cash & Cash Equivalents and Note 6b. - Investments

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		407	-	512	-
Cash-Equivalent Assets ¹					
- Deposits at Call		7,044	-	2,758	-
- Short Term Deposits		250	-	1,000	-
Total Cash & Cash Equivalents		7,701	-	4,270	-
Investments (Note 6b)					
- Managed Funds		1,213	-	1,610	-
- Long Term Deposits		22,500	-	21,000	1,000
- NCD's, FRN's (with Maturities > 3 months)		2,184	-	5,286	-
- CDO's		650	-	520	-
- Mortgage Backed Securities		435	-	450	-
- Other Long Term Financial Assets		320	-	270	-
Total Investment Securities		27,302	-	29,136	1,000
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		35,003	-	33,406	1,000

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	7,701	-	4,270	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	4,802	-	8,136	-
b. "Held to Maturity"	6(b-ii)	22,500	-	21,000	1,000
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		27,302	-	29,136	1,000

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	8,136	-	11,244	-
Revaluations (through the Income Statement)	577	-	(38)	-
Additions	1,226	-	-	-
Disposals (sales & redemptions)	(5,137)	-	(3,070)	-
Balance at End of Year	4,802	-	8,136	-
Comprising:				
- Managed Funds	1,213	-	1,610	-
- NCD's, FRN's (with Maturities > 3 months)	2,184	-	5,286	-
- CDO's	650	-	520	-
- Mortgage Backed Securities	435	-	450	-
- Other Long Term Financial Assets	320	-	270	-
Total	4,802	-	8,136	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	21,000	1,000	15,000	3,000
Additions	54,250	-	34,000	-
Disposals (sales & redemptions)	(52,750)	(1,000)	(30,000)	-
Transfers between Current/Non Current	-	-	2,000	(2,000)
Balance at End of Year	22,500	-	21,000	1,000
Comprising:				
- Long Term Deposits	22,500	-	21,000	1,000
Total	22,500	-	21,000	1,000
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 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	35,003	-	33,406	1,000
attributable to:				
External Restrictions (refer below)	8,022	-	8,229	-
Internal Restrictions (refer below)	26,695	-	23,107	1,000
Unrestricted	286	-	2,070	-
	35,003	-	33,406	1,000

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	4,148	1,483	(1,678)	3,953
Specific Purpose Unexpended Grants (F)	1,188	396	(514)	1,070
Domestic Waste Management (G)	863	345	(31)	1,177
Stormwater Management (G)	230	480	(566)	144
Infrastructure Renewal Levy (G)	6	-	(6)	-
Environmental Levy (G)	44	-	(3)	41
Environmental & Infrastructure Levy (G)	1,750	3,489	(3,603)	1,636
External Restrictions - Other	8,229	6,194	(6,401)	8,022
Total External Restrictions	8,229	6,194	(6,401)	8,022

C Self Insurance liability resulting from reported claims or incurred claims not yet reported.

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

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

G 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.

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

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement (H)	177	307	-	484
Infrastructure Replacement (H)	31	-	(18)	13
Employees Leave Entitlement (H)	897	193	(1)	1,088
Carry Over Works (H)	1,440	-	(175)	1,265
Deposits, Retentions & Bonds (H)	7,507	1,323	-	8,830
Early Payment of Financial Assistance Grant (H)	380	788	(380)	788
Elections Reserve (H)	125	75	-	200
Insurance Reserve (H)	118	117	-	235
Investment Reserve (H)	1,000	-	(1,000)	-
Loan Repayment Reserve (H)	13	-	(13)	-
Office Equipment (H)	765	230	(308)	687
Property Reserve (H)	11,014	2,021	(314)	12,720
Preschool Reserve (H)	277	6	(101)	182
Unexpended General Purpose Loans (H)	196	-	(11)	185
Other (H)	168	-	(151)	17
Total Internal Restrictions	24,107	5,060	(2,472)	26,695
TOTAL RESTRICTIONS	32,336	11,254	(8,873)	34,717

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,765	93	1,721	91
Interest & Extra Charges		322	17	280	15
User Charges & Fees		493	-	521	-
Capital Debtors (being sale of assets)					
- Sale of Land		481	-	179	-
Accrued Revenues					
- Interest on Investments		475	-	601	-
- Other Income Accruals		395	-	478	-
Government Grants & Subsidies		531	-	532	-
Amounts due from Other Councils		114	-	57	-
Net GST Receivable		461	-	493	-
Leases & Licences		174	-	218	-
Restorations & Other Roadworks		192	-	362	-
Recovered Costs		73	-	70	-
Other Debtors		216	-	332	-
Total		5,693	110	5,844	106
less: Provision for Impairment					
User Charges & Fees		(63)	-	(93)	-
Total Provision for Impairment - Receivables		(63)	-	(93)	-
<u>TOTAL NET RECEIVABLES</u>		<u>5,630</u>	<u>110</u>	<u>5,751</u>	<u>106</u>
Externally Restricted Receivables					
Domestic Waste Management		471	-	461	-
Stormwater Management		30	-	27	-
Other					
- Infrastructure Renewal Levy		-	-	2	-
- Environmental Levy		3	-	3	-
- Environmental Levy & Infrastructure Levy		172	-	152	-
Total External Restrictions		677	-	646	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		4,953	110	5,105	106
TOTAL NET RECEIVABLES		<u>5,630</u>	<u>110</u>	<u>5,751</u>	<u>106</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		187	-	172	-
Total Inventories		187	-	172	-
Other Assets					
Prepayments		846	-	918	-
Total Other Assets		846	-	918	-
TOTAL INVENTORIES / OTHER ASSETS		1,033	-	1,090	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

Inventory Write Downs

\$2,715 was recognised as an expense relating to the write down of Inventory balances held during the year.

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset movements during the Reporting Period				as at 30/6/2012				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciatio n Expense	WIP Transfers	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment								Dep'n	Impairment	
Capital Work in Progress	365	-	-	-	365	2,972	-	-	(303)	3,034	-	-	-	3,034
Plant & Equipment	-	11,538	3,234	-	8,304	1,974	(1,231)	(1,128)	-	-	11,484	3,565	-	7,919
Office Equipment	-	7,258	6,359	-	899	309	(20)	(334)	-	-	7,144	6,290	-	854
Furniture & Fittings	-	901	766	-	135	4	-	(14)	-	-	905	779	-	125
Land:														
- Operational Land	-	75,941	-	-	75,941	-	-	-	-	-	75,941	-	-	75,941
- Community Land	-	93,507	-	-	93,507	-	-	-	-	-	93,507	-	-	93,507
Buildings - Non Specialised	-	55,402	29,855	-	25,547	216	-	(1,477)	-	-	55,618	31,331	-	24,287
Buildings - Specialised	-	22,527	14,383	-	8,144	270	-	(570)	-	-	22,797	14,953	-	7,844
Other Structures	-	31,032	6,694	-	24,338	1,595	-	(1,262)	-	-	32,627	7,956	-	24,672
Infrastructure:														
- Roads, Bridges, Footpaths	-	278,217	136,228	-	141,989	3,630	(1,005)	(4,593)	303	-	278,614	138,290	-	140,324
- Bulk Earthworks (non-depreciable)	-	170,849	-	-	170,849	-	-	-	-	-	170,849	-	-	170,849
- Stormwater Drainage	-	73,180	41,446	-	31,734	733	(69)	(576)	-	-	73,574	41,753	-	31,822
Other Assets:														
- Library Books	-	5,077	3,565	-	1,513	434	(43)	(337)	-	-	5,111	3,543	-	1,567
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	365	825,429	242,530	-	583,265	12,138	(2,369)	(10,290)	-	3,034	828,171	248,461	-	582,744

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$4,878) and New Assets (\$1,748). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management Plant & Equipment	-	4,235	2,574	1,661	-	4,235	2,256	1,980
Total DWM	-	4,235	2,574	1,661	-	4,235	2,256	1,980
TOTAL RESTRICTED I,PP&E	-	4,235	2,574	1,661	-	4,235	2,256	1,980

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 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,195	-	3,226	-
Goods & Services - capital expenditure		1,040	-	935	-
Payments Received In Advance		481	-	627	-
Accrued Expenses:					
- Borrowings		28	-	34	-
- Salaries & Wages		520	-	271	-
Security Bonds, Deposits & Retentions		13,069	-	12,889	-
Other		320	-	434	-
Total Payables		17,653	-	18,416	-
Borrowings					
Loans - Secured ¹		944	5,035	873	5,979
Total Borrowings		944	5,035	873	5,979
Provisions					
Employee Benefits;					
Annual Leave		2,504	-	2,387	-
Sick Leave		905	-	1,032	-
Long Service Leave		5,761	251	5,051	216
Gratuities		62	-	147	-
Sub Total - Aggregate Employee Benefits		9,232	251	8,617	216
Total Provisions		9,232	251	8,617	216
Total Payables, Borrowings & Provisions		27,829	5,286	27,906	6,195

(i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	927	-	866	-
Liabilities relating to externally restricted assets	927	-	866	-
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	927	-	866	-

¹ Loans are secured over the General Rating Income of Council

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

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012	2011
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	5,496	5,240
Payables - Security Bonds, Deposits & Retentions	8,420	8,051
	13,916	13,291

Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/12
Annual Leave	2,387	1,918	(1,801)	-	-	2,504
Sick Leave	1,032	110	(237)	-	-	905
Long Service Leave	5,267	1,567	(822)	-	-	6,012
Gratuities	147	8	(93)	-	-	62
TOTAL	8,833	3,603	(2,953)	-	-	9,483

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 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	7,701	4,270
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		7,701	4,270
 (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		888	6,792
Adjust for non cash items:			
Depreciation & Amortisation		10,290	9,080
Net Losses/(Gains) on Disposal of Assets		830	1,223
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(577)	38
- Investment Properties		-	(6,540)
Net Loss/(Gain) on derecognition of Holdsworth St (excl. cash)		-	(239)
 +/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		449	(63)
Increase/(Decrease) in Provision for Doubtful Debts		(30)	11
Decrease/(Increase) in Inventories		(15)	13
Decrease/(Increase) in Other Assets		72	(35)
Increase/(Decrease) in Payables		(1,031)	302
Increase/(Decrease) in accrued Interest Payable		(6)	(3)
Increase/(Decrease) in other accrued Expenses Payable		249	4
Increase/(Decrease) in Other Liabilities		(80)	761
Increase/(Decrease) in Employee Leave Entitlements		650	280
Increase/(Decrease) in Other Provisions		-	-
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		11,689	11,623

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		400	400
Credit Cards / Purchase Cards		15	15
Total Financing Arrangements		415	415
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		6	4
Total Financing Arrangements Utilised		6	4

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 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		203	111
Plant & Equipment		599	279
Infrastructure		240	331
Open Space Works		737	714
Environmental Works		700	653
IT		103	135
Lyne Park Seawall - Southern Section		754	-
Hargrave St - Paddington Jersey - Cascade		454	-
Cecil Lane Paddington Overland Flow Path		252	-
Lyne Park Car Park Upgrade		-	426
Other		-	17
Total Commitments		4,042	2,666
These expenditures are payable as follows:			
Within the next year		4,042	2,666
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		4,042	2,666
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		4,042	2,666
Total Sources of Funding		4,042	2,666

(b) Finance Lease Commitments

Nil

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(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		84	72
Later than one year and not later than 5 years		130	117
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		214	188

b. Non Cancellable Operating Leases include the following assets:

Photocopiers

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

Conditions relating to Operating Leases:

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

(d) Investment Property Commitments

Nil

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>32,967</u>	2.54 : 1	2.28	2.25
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>12,987</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>1,380</u>	2.09%	1.97%	2.22%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>65,959</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>41,885</u>	58.94%	53.20%	53.57%
Income from Continuing Operations	<u>71,061</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>2,197</u>	4.97%	5.01%	4.63%
Rates, Annual & Extra Charges Collectible	<u>44,187</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>4,086</u>	56.63%	44.57%	73.50%
Depreciation, Amortisation & Impairment	<u>7,216</u>			
5A. Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>3,838</u>	74.25%	53.97%	-
Depreciation, Amortisation & Impairment	<u>5,169</u>			
5B. Building Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>248</u>	12.14%	6.79%	-
Depreciation, Amortisation & Impairment	<u>2,047</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

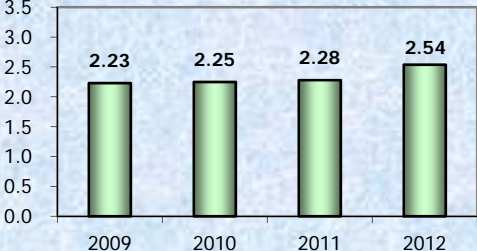
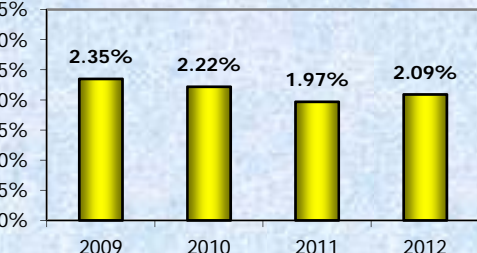
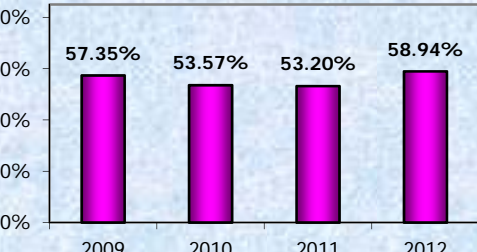
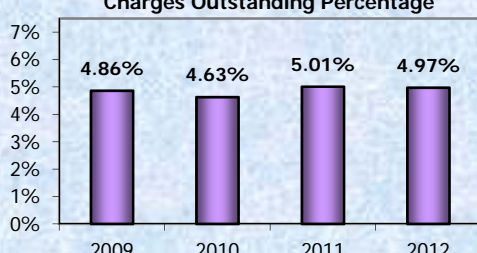
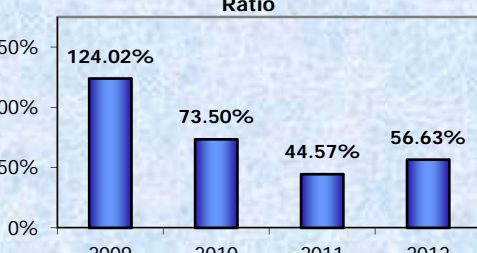
⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Asset Renewals include building and infrastructure assets only.

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

<p>1. Unrestricted Current Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>2.23</td> </tr> <tr> <td>2010</td> <td>2.25</td> </tr> <tr> <td>2011</td> <td>2.28</td> </tr> <tr> <td>2012</td> <td>2.54</td> </tr> </tbody> </table>	Year	Ratio	2009	2.23	2010	2.25	2011	2.28	2012	2.54	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 2.54 : 1</p> <p>The increase in the unrestricted current ratio is generally in line with the budget forecast and continues to indicate that Council has adequate capacity to meet its short term obligations.</p>
Year	Ratio											
2009	2.23											
2010	2.25											
2011	2.28											
2012	2.54											
<p>2. Debt Service Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>2.35%</td> </tr> <tr> <td>2010</td> <td>2.22%</td> </tr> <tr> <td>2011</td> <td>1.97%</td> </tr> <tr> <td>2012</td> <td>2.09%</td> </tr> </tbody> </table>	Year	Ratio %	2009	2.35%	2010	2.22%	2011	1.97%	2012	2.09%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 2.09%</p> <p>The 2.09% ratio is generally in line with the budget forecast and well within industry guidelines for debt servicing.</p>
Year	Ratio %											
2009	2.35%											
2010	2.22%											
2011	1.97%											
2012	2.09%											
<p>3. Rates & Annual Charges Coverage Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>57.35%</td> </tr> <tr> <td>2010</td> <td>53.57%</td> </tr> <tr> <td>2011</td> <td>53.20%</td> </tr> <tr> <td>2012</td> <td>58.94%</td> </tr> </tbody> </table>	Year	Ratio %	2009	57.35%	2010	53.57%	2011	53.20%	2012	58.94%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 58.94%</p> <p>The Rates & Annual Charges Coverage Ratio has returned to its "normal" level for 2012. For example, the 2011 included a \$6.5m Investment Property Revaluation. The 2012 ratio is generally in line with 2009.</p>
Year	Ratio %											
2009	57.35%											
2010	53.57%											
2011	53.20%											
2012	58.94%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.86%</td> </tr> <tr> <td>2010</td> <td>4.63%</td> </tr> <tr> <td>2011</td> <td>5.01%</td> </tr> <tr> <td>2012</td> <td>4.97%</td> </tr> </tbody> </table>	Year	Ratio %	2009	4.86%	2010	4.63%	2011	5.01%	2012	4.97%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 4.97%</p> <p>While there was a slight improvement over 2011, at 4.97% the 2012 ratio is at the very top of the acceptable range for a metropolitan Council.</p>
Year	Ratio %											
2009	4.86%											
2010	4.63%											
2011	5.01%											
2012	4.97%											
<p>5. Building & Infrastructure Renewals Ratio</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>124.02%</td> </tr> <tr> <td>2010</td> <td>73.50%</td> </tr> <tr> <td>2011</td> <td>44.57%</td> </tr> <tr> <td>2012</td> <td>56.63%</td> </tr> </tbody> </table>	Year	Ratio %	2009	124.02%	2010	73.50%	2011	44.57%	2012	56.63%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2011/12 Ratio 56.63%</p> <p>A breakdown of this ratio is provided in 5A and 5B above. While this is an improvement over 2011 it still indicates that Council is under-investing in Building Renewal.</p>
Year	Ratio %											
2009	124.02%											
2010	73.50%											
2011	44.57%											
2012	56.63%											

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
(a) Investment Properties at Fair value			
Investment Properties on Hand		19,075	19,075
Reconciliation of Annual Movement:			
Opening Balance		19,075	11,064
- Net Gain/(Loss) from Fair Value Adjustments		-	6,540
- Transfers from/(to) Owner Occupied (Note 9)		-	1,471
CLOSING BALANCE - INVESTMENT PROPERTIES		19,075	19,075
(b) Valuation Basis			
<p>The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.</p> <p>Scott Fullarton Valuations Pty Ltd were engaged to undertake an independent desk-top review of investment property valuations at June 2012. Their independent advice was that due to the uncertainty of the global economic climate, weak market sentiment and their knowledge of the market, they were of the opinion that the fair value of the properties as at 30 June 2012 remains unchanged from June 2011.</p>			
(c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
(d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
Within 1 year		401	387
Later than 1 year but less than 5 years		416	818
Later than 5 years		-	-
Total Minimum Lease Payments Receivable		817	1,205
(e) Investment Property Income & Expenditure - summary			
Rental Income from Investment Properties:			
- Minimum Lease Payments		560	549
- Other Income		77	52
Direct Operating Expenses on Investment Properties:			
- that generated rental income		(203)	(248)
- that did not generate rental income		-	-
Net Revenue Contribution from Investment Properties		435	353
plus: Fair Value Movement for year		-	6,540
Total Income attributable to Investment Properties		435	6,893

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	7,701	4,270	7,701	4,270
Investments				
- "Designated At Fair Value on Initial Recognition"	4,802	8,136	4,802	8,136
- "Held to Maturity"	22,500	22,000	22,500	22,000
Receivables	5,740	5,857	5,740	5,857
Total Financial Assets	40,743	40,263	40,743	40,263
Financial Liabilities				
Payables	17,172	17,789	17,172	17,789
Loans / Advances	5,979	6,852	5,979	6,852
Total Financial Liabilities	23,151	24,641	23,151	24,641

Fair Value is determined as follows:

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

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

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

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

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

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

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

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

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	4,802	-	-	4,802
Total Financial Assets	4,802	-	-	4,802
2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	8,136	-	-	8,136
Total Financial Assets	8,136	-	-	8,136

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of an independent advisor

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 major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with the major banks and affiliates or covered by the Government Guarantee.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2012				
Possible impact of a 10% movement in Market Values	480	480	(480)	(480)
Possible impact of a 1% movement in Interest Rates	378	378	(378)	(378)
2011				
Possible impact of a 10% movement in Market Values	814	814	(814)	(814)
Possible impact of a 1% movement in Interest Rates	412	412	(412)	(412)

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

The level of outstanding receivables is reported to Council quarterly.

Council makes suitable provision for doubtful receivables as required.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	3,263	-	3,284
Past due by up to 30 days	706	212	688	330
Past due between 31 and 180 days	279	254	272	358
Past due between 181 and 365 days	427	118	417	91
Past due by more than 1 year	446	96	435	75
	<u>1,859</u>	<u>3,944</u>	<u>1,812</u>	<u>4,138</u>

(ii) Movement in Provision for Impairment of Receivables

	2012	2011
Balance at the beginning of the year	93	82
+ new provisions recognised during the year	11	40
- amounts already provided for & written off this year	(40)	(29)
Balance at the end of the year	<u>63</u>	<u>93</u>

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity		payable in:					Total Cash Outflows	Actual Carrying Values
	≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs			
2012									
Trade/Other Payables	13,069	4,103	-	-	-	-	-	17,172	17,172
Loans & Advances	-	1,383	1,382	1,381	1,381	960	960	7,447	5,979
Total Financial Liabilities	13,069	5,486	1,382	1,381	1,381	960	960	24,619	23,151
2011									
Trade/Other Payables	12,889	4,900	-	-	-	-	-	17,789	17,789
Loans & Advances	-	1,380	1,383	1,382	1,381	1,381	1,920	8,827	6,852
Total Financial Liabilities	12,889	6,280	1,383	1,382	1,381	1,381	1,920	26,616	24,641

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:

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	17,172	0.0%	17,789	0.0%
Loans & Advances - Fixed Interest Rate	5,979	7.3%	6,852	7.3%
	<u>23,151</u>		<u>24,641</u>	

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 16 May 2011.

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	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	41,974	41,885	(89)	(0%)	U
While not a material variance overall, there are variances worth noting. Rates income was \$(139k) less than forecast due to a change to the rating of car and storage spaces (\$68k) while other rates were less than budget due to routine changes in the rating base (\$69k). Income from Council's Domestic Waste Management Charge was some \$42k more than originally forecast. The total of these variances is (\$97k).					
User Charges & Fees	9,383	8,671	(712)	(8%)	U
The following income streams were less than originally forecast: Mobile Bins & Crate Sales (\$54k), Restoration Charges, offset by reduced expenditure on contract works in Materials & Contracts below (\$214k), Development Application and related fees (\$259k), Certificate fees (\$115k), Advertising fees (\$20k), Hoarding Applications (\$42k), Parking Meter income (\$110k), File Retrieval charges (\$26k) and Work Zone Charges (\$67k). Trade Waste service charges exceeded forecast income by \$154k while Parking Permits exceeded budget by \$35k. The total of these variances is (\$718k).					
Interest & Investment Revenue	2,360	2,932	572	24%	F
Interest earned on investments was (\$75k) lower than forecast due to lower interest rates throughout the year. Interest on overdue Rates was \$70k higher than forecast due to an increase in the interest rate. Fair value adjustments arising from investment sales and redemptions totalled \$577k and were not included in the original budget. The total of these variances is \$572k.					
Other Revenues	10,758	10,438	(320)	(3%)	U
While not a material variance overall, there are variances worth noting. In particular, due to a contractual dispute, income from Car Parks was \$1.18m less than budgeted. Income from the following sources exceeded original forecasts: Recovered Costs \$309k, Fuel Tax Credits \$32k, Fines & Penalties \$155k, Leases & Licences \$188k, Easement Compensations \$76k, an insurance recovery \$30k, and other income \$63k. The total of these variances is (\$327k).					

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES (continued)					
Operating Grants & Contributions	2,858	3,515	657	23%	F
<p>This variance is mainly due to the advance payment of Financial Assistance Grants providing increased income in 2011/2012 of \$405k. The operating subsidy for Council's Preschool was \$46k more than budget. A further \$194k relates to the Roads to Recovery grant budgeted as a capital grant but disclosed as operational. The total of these variations is \$645k.</p>					
Capital Grants & Contributions	4,350	3,620	(730)	(17%)	U
<p>Council was unsuccessful with Blackspot and Open Space grants totalling (\$1,053k) but received funding for Lyne Park of \$907k more than forecast. Council received contributions to projects of \$85k not included in the budget. Section 94A contributions received were (\$454k) less than originally forecast. As noted in Operating Grants above, The Roads to Recovery grant (\$194k) is budgeted as capital and disclosed as operational. The total of these variances is (\$709k). The remainder of the variance relates to the timing of project expenditure.</p>					
Net Gains from Disposal of Assets	27	-	(27)	(100%)	U
<p>Council forecast a gain on sale of assets of \$27k comprised of (\$326k) loss on sale of plant and equipment and \$353k from sale of unmade road parcels. The result for the year was an overall loss on sale of \$830k. The variances are described in Net Losses from Disposal below.</p>					
EXPENSES					
Employee Benefits & On-Costs	31,607	32,425	(818)	(3%)	U
<p>Total salaries and wages exceeded original forecast by (\$233k), a variance of less than 1%, while termination payments, including redundancies and gratuities, exceeded forecast by a further (\$366k). Fringe Benefits Tax also exceed forecast by (\$52k). Superannuation was \$57k less than budgeted and Workers' Compensation \$93k less. Staff training, budgeted elsewhere, totalled (\$330k). The total of these variances is (\$831k).</p>					
Borrowing Costs	507	507	(0)	(0%)	U
<p>No material variances.</p>					
Materials & Contracts	11,511	12,623	(1,112)	(10%)	U
<p>Expenditure on Materials and Contracts was less than budget in Restorations \$165k (refer comment above re reduced Fees & Charges from Restorations), \$80k in Informations Systems, \$81k in Civil Works contract plant hire, \$99k in consultants used in Traffic Management, Open Space and Property and \$29k in cleaning contracts. There was also reduced expenditure in Car Park operating contracts of \$155k. Expenditure on Legals was (\$194k) higher than budgeted due to Car Park litigation and Plant parts & repairs exceed original budget by (\$238k) across Council's heavy plant fleet. An additional (\$52k) was spent on unforeseen maintenance, (\$52k) on stores issues and (\$49k) on temporary staff. Additionally, (\$1.125m) in expenditure budgeted as Capital Expenditure was expensed at year end. The total of these variances is (\$1.101m).</p>					

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----	
EXPENSES (continued)				
Depreciation & Amortisation	9,581	10,290	(709)	(7%) U
As a result of revaluing Council's Buildings assets, and improved componentisation, depreciation increased by (\$781k) compared to the original budget while plant & vehicle depreciation was (\$77k) higher than expected. Depreciation on office equipment and furniture was \$133k less than budget as assets reached the end of their useful lives. The total of these variances is (\$725k).				
Other Expenses	13,842	13,498	344	2% F
While not a material variance overall, there are variances worth noting. Expenditure on tipping charges exceeded forecast by (\$289k), Recoverable Expenses by (\$115k) (refer to comment above on increased Recoverable Costs in Other Revenues), electricity charges (\$78k) and interest paid on deposits refunded (\$51k). Insurance claims and recoveries (net) were \$210k less than originally budgeted, as is expenditure on advertising \$40k, Council's contribution to Double Bay Partnership \$113k, insurance premiums \$91k, street lighting charges \$54k and other contributions \$49k. Staff training, disclosed in Employee Benefits, totalled \$330k. The total of these variances is \$354k.				
Net Losses from Disposal of Assets	-	830	(830)	0% U
A budgeted loss on sale of plant & equipment of \$325k was reduced to a loss of \$132k, some \$193k less than forecast and sale of unmade road parcels exceed forecast by a further \$68k. Write offs related to the retirement of renewed infrastructure and withdrawal of library books not included in the budget were (\$1.075m) and (\$43k) respectively. The total of these variances is (\$857k), the combined variance of Net Gains and Losses on Disposal of Assets.				

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	2,217	-	-	126	(19)	-	2,324	-	(2,969)	(645)	-
Open Space	-	-	-	4	-	-	4	-	-	4	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Civic Improvements	38	-	-	2	-	-	41	-	(680)	(639)	-
Recreation	267	-	-	16	(1)	-	282	-	-	282	-
Plan Preparation & Administration	33	-	-	2	-	-	35	-	(88)	(53)	-
Other	-	-	-	-	-	-	-	-	-	-	-
S94 Contributions - under a Plan	2,556	-	-	150	(19)	-	2,687	-	(3,737)	(1,050)	-
S94A Levies - under a Plan	1,567	1,215	-	101	(1,659)	-	1,224				-
Total S94 Revenue Under Plans	4,123	1,215	-	251	(1,678)	-	3,911				-
S94 not under Plans	25	-	-	17	-	-	42	-	-	42	-
S93F Planning Agreements	-	-	-	-	-	-	-				-
Total Contributions	4,148	1,215	-	268	(1,678)	-	3,953	-	(3,737)	(1,008)	-

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - 1997 Contributions Plan

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	395	-	-	26	(19)	-	402	-	-	402	-
Open Space	-	-	-	4	-	-	4	-	-	4	-
Total	395	-	-	29	(19)	-	406	-	-	406	-

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	779	-	-	33	-	-	813	-	(619)	194	-
Parking - Double Bay	1,043	-	-	67	-	-	1,110	-	(2,350)	(1,240)	-
Civic Improvements	38	-	-	2	-	-	41	-	(680)	(639)	-
Recreation	267	-	-	16	(1)	-	282	-	-	282	-
Plan Preparation & Administration	33	-	-	2	-	-	35	-	(88)	(53)	-
Total	2,161	-	-	120	(1)	-	2,281	-	(3,737)	(1,456)	-

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN - 2005 Contributions Plan

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	1,567	1,215	-	101	(1,659)	-	1,224	-	-		-
Total	1,567	1,215	-	101	(1,659)	-	1,224				-

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	25	-	-	17	-	-	42	-	-	42	-
Total	25	-	-	17	-	-	42	-	-	42	-

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils 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 2012

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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.

Council's 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 2012

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

\$ '000

ASSETS NOT RECOGNISED:

(iii) Investment Securities

At 30 June 2012, Council valued its Collateralised Debt Obligation investments, except where Lehman Brothers are the swap counter party, at \$Nil based on its assessment of the material risk of total loss.

It is possible that, through either the sale or maturity of these securities, Council will receive greater than \$Nil.

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

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

Refer also to Note 23 - Events occurring after Balance Sheet Date for recent advice in respect of Council's Lehman Brothers CDO Investments.

Woollahra Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

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

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

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

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b) (i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (although does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

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

19(c) Joint Venture Operations

Council has no interest in any Joint Venture Operations.

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

None.

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		502,780	857,138
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	(361,150)
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		888	6,792
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes		-	-
Balance at End of the Reporting Period		<u>503,668</u>	<u>502,780</u>

b. Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		106,812	106,812
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
- Other Reserves (Specify)		-	-
Total		<u>106,812</u>	<u>106,812</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		106,812	57,113
- Revaluations for the year	9(a)	-	49,699
- Balance at End of Year		<u>106,812</u>	<u>106,812</u>

TOTAL VALUE OF RESERVES

<u>106,812</u>	<u>106,812</u>
-----------------------	-----------------------

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

c. Correction of Error/s relating to a Previous Reporting Period

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

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
d. Voluntary Changes in Accounting Policies			
Council made no voluntary changes in any accounting policies during the year.			
Voluntary Changes in Accounting Policies actioned last year			
Valuation of Community Land			
When first brought to account at 30 June 1995 Council used Valuer General valuations for its Community Land. As at 30 June 1997 the valuation basis was required to be changed to reflect the deprival value for the land. At the time, an "average municipal rate" per square metre was considered to better establish the deprival value and was adopted for all Community Land. For 30 June 2011, Council reverted to using Valuer General valuations for its Community Land. The valuations had a base date of 1 July 2009. This change in policy had the effect of reducing the value of Community Land by:			
		-	(361,150)
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Opening Equity - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		-	(361,150)
- Adjustments to Closing Equity - 30/6/11 (relating to adjustments for the 30/6/11 year end)		-	-
Total Prior Period Adjustments - Accounting Policy Changes		-	(361,150)

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2012, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 23/10/12.

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

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

On Friday 21 September 2012 the Federal Court handed down a judgment in relation to the Lehman Brothers (Australia) Limited class action that was taken on behalf of several Councils in NSW who had purchased CDO investments through Lehmans. Woollahra Municipal Council was one of the parties to this matter. This judgment, which is yet to be finalised and may be subject to appeal, was in favour of the Councils. At this stage it is too premature to determine what, if any, funds will be paid to Council as a result of the judgment. Council has previously written off the value of the CDOs purchased through Lehmans.

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 24. Discontinued Operations

\$ '000

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

Note 25. Intangible Assets

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

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

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Woollahra Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 27. Council Information & Contact Details

Principal Place of Business:

536 New South Head Road
Double Bay NSW 2028

Contact Details

Mailing Address:

PO Box 61
Double Bay NSW 2028

Opening Hours:

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

Telephone: 02 9391 7000

Facsimile: 02 9391 7044

Internet: www.woollahra.nsw.gov.au

Email: records@woollahra.nsw.gov.au

Officers

GENERAL MANAGER

Gary James

RESPONSIBLE ACCOUNTING OFFICER

Don Johnston, Manager Finance

PUBLIC OFFICER

Stephen Dunshea, Director Corporate Services

AUDITORS

Hill Rogers Spencer Steer

Elected Members

MAYOR

Andrew Petrie

COUNCILLORS

Ted Bennett

Anthony Boskovitz

Peter Cavanagh

Luise Elsing

Elena Kirillova

Greg Levenston

Anthony Marano

Katherine O'Regan

Matthew Robertson

Deborah Thomas

Elena Wise

Susan Wynne

Toni Zeltzer

Jeff Zulman

Other Information

ABN: 32 218 483 245

WOOLLAHRA MUNICIPAL COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *general purpose financial statements* of **Woollahra Council**, which comprises the Balance Sheet as at 30 June 2012, 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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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 23rd day of October 2012

Hill Rogers
Spencer Steer

23 October 2012

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

Mayor,

Audit Report - Year Ended 30 June 2012

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2012 and that all information required by us was readily available. We have signed our report as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General Purpose Financial Statements.

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

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

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a surplus of \$888,000 as compared with \$6.792 million in the previous year.

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

	2012	% of	2011	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease
					\$'000
Revenues before capital items					
Rates & annual charges	41,885	62.1%	40,009	56%	1,876
User charges, fees & other revenues	19,109	28.3%	25,948	36%	(6,839)
Grants & contributions provided for operating purposes	3,515	5.2%	2,988	4%	527
Interest & investment revenue	2,932	4.3%	2,522	4%	410
	67,441	100%	71,467	100%	(4,026)
Expenses					
Employee benefits & costs	32,425	46%	30,581	45%	1,844
Materials, contracts & other expenses	26,951	38%	28,177	41%	(1,226)
Depreciation, amortisation & impairment	10,290	15%	9,080	13%	1,210
Borrowing costs	507	1%	568	1%	(61)
	70,173	100%	68,406	100%	1,767
Surplus/(Deficit) before capital items	(2,732)		3,061		(5,793)
Grants & contributions provided for capital purposes	3,620		3,731		(111)
Net Surplus/(Deficit) for the year	888		6,792		(5,904)

The table above shows an overall decrease over the previous year of \$5.904 million. The most notable variance from the previous year is the decrease in other revenues. The previous year included an increase in the fair value of investment properties of \$6.540 million.

1.2 Funding Result

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

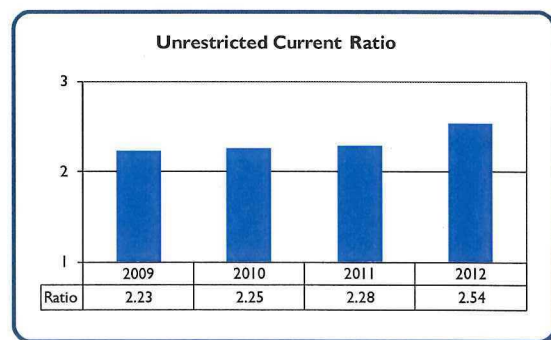
	2012	2011
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	888	6,792
Add back non funding items:-		
- Depreciation, amortisation & impairment	10,290	9,080
- Book value of non-current assets sold	2,370	2,063
- (Gain)/Loss of fair value to investment properties	0	(6,540)
	13,548	11,395
Decrease/Redemption in Non-current Investments	1,000	2,000
Transfers from externally restricted assets (net)	237	585
Transfers from internal reserves (net)	0	239
Net Changes in current/non-current assets & liabilities	826	1,330
	15,611	15,549
Funds were applied to:-		
Purchase and construction of assets	(12,139)	(13,890)
Principal repaid on loans	(873)	(814)
Transfers to internal reserves (net)	(3,588)	0
	(16,600)	(14,704)
Increase/(Decrease) in Available Working Capital	(989)	845

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 \$19.981 million representing a factor of 2.54 to 1.



2.2 Available Working Capital – (Working Funds)

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

At the close of the year Available Working Capital stood at \$2.615 million as detailed below;

	2012	2011	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	13,837	12,341	1,496
Add: Payables & provisions not expected to be realised in the next 12 months included above	13,916	13,291	625
Adjusted Net Current Assets	27,753	25,632	2,121
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	944	873	71
- Employees leave entitlements	3,736	3,377	359
- Security bonds & retention moneys	4,649	4,838	(189)
Less: Externally restricted assets	(7,772)	(8,009)	237
Less: Internally restricted assets	(26,695)	(23,107)	(3,588)
Available Working Capital as at 30 June	2,615	3,604	(989)

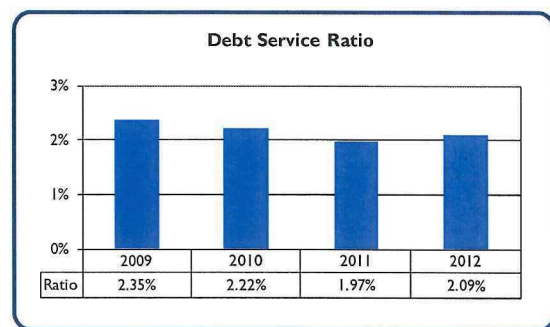
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside, we are of the opinion that Available Working Capital as at 30 June 2012 was adequate.

2.3 Debt

Operating revenue (excluding special purpose grants and contributions) required to service debt (loan repayments) was 2.09%.

Principal and interest paid was \$1.380 million leaving total debt as at 30 June 2012 at \$5.979 million.



2.4 Summary

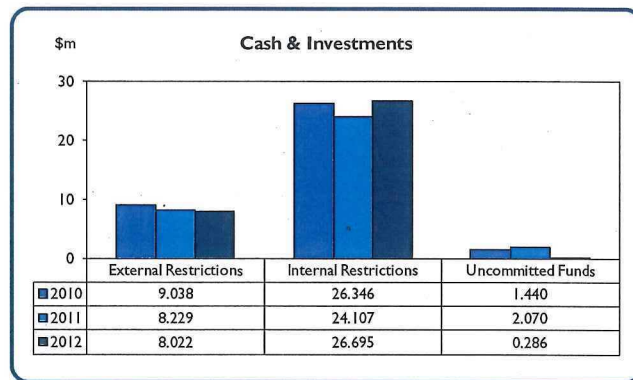
Subject to the possibility of further investment write downs, Council's overall financial position, when taking into account the above financial indicators is, in our opinion, satisfactory.

3. CASH ASSETS

3.1 Cash & Investments

Cash and investments totalled \$35.003 million at the close of the year as compared with \$34.406 million in 2011 and \$36.824 million in 2010.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$3.953 million), infrastructure, stormwater management & environmental levies (\$1.821 million), domestic waste management charges (\$1.177 million) and specific purpose grants (\$1.070 million).

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 \$26.695 million.

Unrestricted cash and investments amounted to \$286,000.

3.2 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that funds increased by \$3.431 million to \$7.701 million at the close of the year.

In addition to operating activities which contributed net cash of \$11.689 million were the proceeds from the sale of investment securities (\$58.887 million) and sale of property, plant and equipment (\$1.237 million). Cash outflows other than operating activities were used to purchase investments securities (\$55.476 million), repay loans (\$873,000) and to purchase and construct assets (\$12.033 million).

4. RECEIVABLES

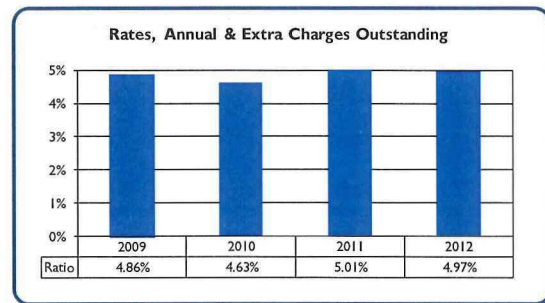
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$41.885 million and represented 59% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$43.697 million of which \$41.839 million (96%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual & extra charges stood at \$2.197 million at the end of the year and represented 4.97% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$3.606 million. Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$63,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$9.483 million. The cash reserve of \$1.088 million represented 11.47%.

5.2 Deposits, Retentions & Bonds

Deposits, Retentions and Bonds held at year end amounted to \$13.069 million. Internally restricted cash and investments of \$8.830 million were held at year end representing 67.56% of this liability and are more than adequate to meet anticipated repayments in the near future.

Hill Rogers
Spencer Steer

6. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 29 March 2012 and this included management's responses to our recommendations on possible ways to strengthen and/or improve procedures.

7. 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 2012

*"...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 2012

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

Woollahra Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2012

*"...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 2012

Contents

Page

Special Schedules¹

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

¹ Special Purpose Schedules are not audited.

Background

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

Woollahra Municipal Council

Special Schedule No. 1 - Net Cost of Services for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	2,442	6	-	(2,436)
Administration	18,592	1,731	563	(16,298)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	2,593	-	-	(2,593)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	2,254	6,602	-	4,348
Animal Control	94	31	-	(62)
Other	-	-	-	-
Total Public Order & Safety	4,940	6,633	-	1,693
Health	336	89	-	(247)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	1,332	533	-	(798)
Solid Waste Management	8,255	11,114	-	2,859
Street Cleaning	1,789	71	-	(1,718)
Drainage	150	483	301	634
Stormwater Management	-	-	-	-
Total Environment	11,525	12,201	301	977
Community Services and Education				
Administration & Education	2,711	322	41	(2,347)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	205	87	-	(118)
Children's Services	806	929	-	123
Total Community Services & Education	3,721	1,338	41	(2,342)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	1,341	313	-	(1,028)
Town Planning	5,190	1,625	1,215	(2,349)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	6,531	1,938	1,215	(3,378)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Woollahra Municipal Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	3,116	429	-	(2,687)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	-	-	-	-
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	5,354	580	1,246	(3,528)
Other Sport and Recreation	76	-	-	(76)
Total Recreation and Culture	8,547	1,010	1,246	(6,291)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,275	759	-	(516)
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	1,275	759	-	(516)
Transport and Communication				
Urban Roads (UR) - Local	5,747	3,250	246	(2,251)
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	800	1,038	-	238
Footpaths	-	-	-	-
Aerodromes	-	-	-	-
Other Transport & Communication	4,884	1,421	-	(3,463)
Total Transport and Communication	11,431	5,709	246	(5,476)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	833	2,867	9	2,042
Total Economic Affairs	833	2,867	9	2,042
Totals – Functions	70,173	34,280	3,620	(32,273)
General Purpose Revenues⁽²⁾		33,161		33,161
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	70,173	67,441	3,620	888

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Woollahra Municipal Council

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

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	873	5,979	6,852	-	873	-	-	507	944	5,035	5,979
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	873	5,979	6,852	-	873	-	-	507	944	5,035	5,979
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	873	5,979	6,852	-	873	-	-	507	944	5,035	5,979

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

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

Woollahra Municipal Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	71,061	72,013	72,498	74,756	76,778
Expenses from continuing operations	70,173	70,260	72,599	74,704	76,959
Operating Result from Continuing Operations	888	1,753	(101)	52	(181)
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	12,138	13,468	11,435	11,797	12,332
Total Capital Budget	12,138	13,468	11,435	11,797	12,332
Funded by:					
- Loans	-	-	-	-	-
- Asset sales	1,119	1,241	1,085	1,477	1,474
- Reserves	921	1,223	553	123	605
- Grants/Contributions	3,653	2,517	1,332	1,560	1,575
- Recurrent revenue	3,450	4,093	4,211	4,332	4,457
- Other	2,995	4,422	4,278	4,113	4,117
	12,138	13,496	11,459	11,605	12,228

Notes:

(1) From 11/12 Income Statement.

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

(3) If Council has only adopted 3 years of projections then only show 3 years.

(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.