



General Purpose & Special Purpose Financial Reports

For the Year Ended 30 June 2014



PITTWATER COUNCIL

Pittwater Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014



**"To be a vibrant sustainable community of
connected villages inspired by bush, beach and water"**

Pittwater Council

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

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	91
- On the Conduct of the Audit (Sect 417 [3])	93

Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Pittwater Council.

(ii) Pittwater Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 18 August 2014. Council has the power to amend and reissue these financial statements.

Pittwater Council

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

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 2014.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

More information

A review of Council's financial performance and position for the 13/14 financial year can be found at Note 28 of the financial statements.

Pittwater Council

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

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

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

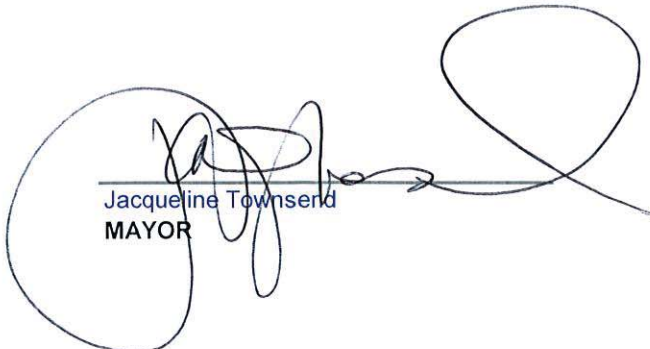
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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


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

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

Signed in accordance with a resolution of Council made on 18 August 2014.



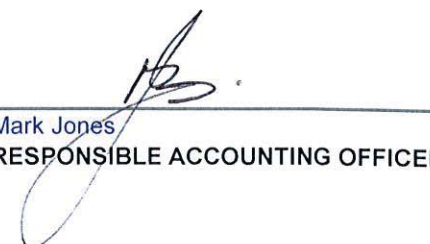
Jacqueline Townsend
MAYOR



Councillor
COUNCILLOR



Mark Ferguson
GENERAL MANAGER



Mark Jones
RESPONSIBLE ACCOUNTING OFFICER

Pittwater Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
49,083	Rates & Annual Charges	3a	49,070	46,451
14,990	User Charges & Fees	3b	15,613	14,782
1,405	Interest & Investment Revenue	3c	1,508	1,867
3,164	Other Revenues	3d	3,743	3,357
3,373	Grants & Contributions provided for Operating Purposes	3e,f	2,839	4,189
2,324	Grants & Contributions provided for Capital Purposes	3e,f	3,873	13,616
Other Income:				
503	Net gains from the disposal of assets	5	271	631
	Net Share of interests in Joint Ventures & Associated			
499	Entities using the equity method	19	167	681
75,341	Total Income from Continuing Operations		77,084	85,574
Expenses from Continuing Operations				
29,343	Employee Benefits & On-Costs	4a	28,020	27,177
855	Borrowing Costs	4b	868	683
15,493	Materials & Contracts	4c	17,127	15,911
8,748	Depreciation & Amortisation	4d	8,902	8,403
17,518	Other Expenses	4e	17,422	17,377
71,957	Total Expenses from Continuing Operations		72,339	69,551
3,384	Operating Result from Continuing Operations		4,745	16,023
3,384	Net Operating Result for the Year		4,745	16,023
1,060	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		872	2,407

¹ Original Budget as approved by Council - refer Note 16

Pittwater Council

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

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		4,745	16,023
Other Comprehensive Income:			
Nil			
Total Comprehensive Income for the Year		4,745	16,023
Total Comprehensive Income attributable to Council		4,745	16,023

Pittwater Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	4,821	4,335
Investments	6b	26,500	31,250
Receivables	7	3,807	3,777
Inventories	8	51	59
Other	8	48	879
Total Current Assets		35,227	40,300
Non-Current Assets			
Receivables	7	977	968
Infrastructure, Property, Plant & Equipment	9	1,048,625	1,035,914
Investments accounted for using the equity method	19	6,638	6,789
Investment Property	14	1,840	1,800
Intangible Assets	25	2,812	2,952
Total Non-Current Assets		1,060,892	1,048,423
TOTAL ASSETS		1,096,119	1,088,723
LIABILITIES			
Current Liabilities			
Payables	10	6,312	5,131
Borrowings	10	1,284	1,340
Provisions	10	7,648	7,883
Total Current Liabilities		15,244	14,354
Non-Current Liabilities			
Borrowings	10	14,011	12,290
Provisions	10	195	155
Total Non-Current Liabilities		14,206	12,445
TOTAL LIABILITIES		29,450	26,799
Net Assets		1,066,669	1,061,924
EQUITY			
Retained Earnings	20	1,016,187	1,011,442
Revaluation Reserves	20	50,482	50,482
Council Equity Interest		1,066,669	1,061,924
Total Equity		1,066,669	1,061,924

Pittwater Council

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-Controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		1,011,442	50,482	1,061,924	-	1,061,924
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		1,011,442	50,482	1,061,924	-	1,061,924
c. Net Operating Result for the Year		4,745	-	4,745	-	4,745
d. Other Comprehensive Income - Nil						
Total Comprehensive Income (c&d)		4,745	-	4,745	-	4,745
Equity - Balance at end of the reporting period		1,016,187	50,482	1,066,669	-	1,066,669

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-Controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		995,419	50,482	1,045,901	-	1,045,901
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		995,419	50,482	1,045,901	-	1,045,901
c. Net Operating Result for the Year		16,023	-	16,023	-	16,023
d. Other Comprehensive Income - Nil						
Total Comprehensive Income (c&d)		16,023	-	16,023	-	16,023
Equity - Balance at end of the reporting period		1,011,442	50,482	1,061,924	-	1,061,924

Pittwater Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
49,190	Rates & Annual Charges		49,195	46,405
14,391	User Charges & Fees		16,958	16,191
1,405	Investment & Interest Revenue Received		1,773	1,765
6,297	Grants & Contributions		6,539	6,993
-	Bonds, Deposits & Retention amounts received		917	163
3,164	Other		7,656	6,821
Payments:				
(30,097)	Employee Benefits & On-Costs		(28,230)	(26,563)
(15,536)	Materials & Contracts		(20,759)	(20,001)
(855)	Borrowing Costs		(868)	(683)
-	Bonds, Deposits & Retention amounts refunded		(832)	(128)
(19,200)	Other		(18,613)	(19,812)
8,759	Net Cash provided (or used in) Operating Activities	11b	13,736	11,151
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		90,000	86,575
2,073	Sale of Infrastructure, Property, Plant & Equipment		1,434	1,791
359	Distributions Received from Joint Ventures & Associates		318	359
Payments:				
-	Purchase of Investment Securities		(85,250)	(95,250)
(25,275)	Purchase of Infrastructure, Property, Plant & Equipment		(21,417)	(17,498)
(22,843)	Net Cash provided (or used in) Investing Activities		(14,915)	(24,023)
Cash Flows from Financing Activities				
Receipts:				
3,000	Proceeds from Borrowings & Advances		3,000	6,500
Payments:				
(1,184)	Repayment of Borrowings & Advances		(1,179)	(957)
-	Repayment of Finance Lease Liabilities		(156)	(28)
1,816	Net Cash Flow provided (used in) Financing Activities		1,665	5,515
(12,268)	Net Increase/(Decrease) in Cash & Cash Equivalents		486	(7,357)
31,496	plus: Cash & Cash Equivalents - beginning of year	11a	4,335	11,692
19,228	Cash & Cash Equivalents - end of the year	11a	4,821	4,335
Additional Information:				
	plus: Investments on hand - end of year	6b	26,500	31,250
	Total Cash, Cash Equivalents & Investments		31,321	35,585

Please refer to Note 11 for additional cash flow information

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	26
2(b)	Council Functions / Activities - Component Descriptions	27
3	Income from Continuing Operations	28
4	Expenses from Continuing Operations	33
5	Gains or Losses from the Disposal of Assets	37
6(a)	Cash & Cash Equivalent Assets	38
6(b)	Investments	38
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	39
7	Receivables	41
8	Inventories & Other Assets	42
9(a)	Infrastructure, Property, Plant & Equipment	43
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	44 n/a
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	44 n/a
10(a)	Payables, Borrowings & Provisions	45
11	Statement of Cash Flows - Additional Information	46
12	Commitments for Expenditure	47
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	48
	13a (ii) Local Government Industry Graphs (Consolidated)	49
14	Investment Properties	51
15	Financial Risk Management	52
16	Material Budget Variations	56
17	Statement of Developer Contributions	58
18	Contingencies and Other Liabilities/Assets not recognised	61
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	64
20	Equity - Retained Earnings and Revaluation Reserves	67
21	Financial Result & Financial Position by Fund	67 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	67 n/a
23	Events occurring after the Reporting Date	68
24	Discontinued Operations	68 n/a
25	Intangible Assets	68
26	Reinstatement, Rehabilitation & Restoration Liabilities	69 n/a
27	Fair Value Measurement	69
 Additional Council Disclosures		
28	Financial Review	89
29	Council Information & Contact Details	90

n/a - not applicable

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

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

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

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 23.

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

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

(iv) Early adoption of Accounting Standards

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

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

Pittwater Council

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

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

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

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

(vi) Changes in Accounting Policies

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

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

For the current year council has chosen not to revalue the community land as the Valuer General's valuation for 2012 does not cover all land parcels. The council will be revaluing all the community land assets in the next financial year (2014/15)

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

revenues when the Council obtains control over the assets comprising these receipts.

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

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

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

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

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

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

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

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

Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(c) Principles of Consolidation

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

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

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

(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

Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

- cash on hand,
- deposits held **at call** with financial institutions,
- 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.

Derivatives are classified as held for trading unless they are designated as hedges.

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading

category if the financial asset is no longer held for the purpose of selling it in the near term.

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

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

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

(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.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)

Pittwater Council

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

Note 1. Summary of Significant Accounting Policies

- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Community Land** (Valuation is based on NSW Valuer General's valuation where available; request for remaining valuation has been lodged. For lands with no Valuer General's valuation, external valuation has been used in the interim)
- **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 asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

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

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant & Equipment	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Pittwater Council

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

Note 1. Summary of Significant Accounting Policies

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Stormwater Assets

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

Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
Bridge construction & reconstruction	> \$10,000

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	5 years
- Vehicles	5 years
- Heavy Plant/Road Making equip.	6 years
- Other plant and equipment	5 years

Other Equipment

- Playground equipment	5 years
- Benches, seats etc	10 years

Buildings

- Buildings : Masonry	100 years
- Buildings : Other	25 to 40 years
- Depreciable land improvements	40 years

Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads : Surface	100 years
- Sealed Roads : Structure	100 years
- Bridge : Concrete	200 years
- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each reporting date.

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

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.

Pittwater Council

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

Note 1. Summary of Significant Accounting Policies

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

In 2008/09, Pittwater council paid to Warringah Council (as land owner) an amount of \$ 3,515,506 to secure its equitable share and right to participate in Kimbriki Environmental Enterprises Pty Ltd. This payment represented a guarantee of a viable tipping and recycling facility for such residents of Pittwater within close proximity, in such an enduring benefit to the community.

In addition to securing a tipping facility for residents the payment secured an equitable share of a financially viable commercial operation. As the payments reflects the rights to participate in an ongoing commercial operation the payment has been amortised over a 25 year period that reflects the term of the current contract operation.

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements

(p) Investment property

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

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

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

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

The last full revaluation for Council's Investment Properties was dated 30/06/2014.

(q) 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(r) 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.

(s) 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.

(t) 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.

(u) Employee benefits

(i) Short Term Obligations

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

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

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

All other short-term employee benefit obligations are presented as payables.

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

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

Pittwater Council

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

Note 1. Summary of Significant Accounting Policies

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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 expect 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.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 861,952.44 The last valuation of the scheme was performed Richard Boyfield of Mercer Consulting (Australia) Ltd and covers the period ended 30th June 2014. However the position is monitored annually and the actuary has estimated as at 30th June 2014, a deficit still exists. Effective from July 1 2014 employers were required to contribute additional contributions to assist in extinguishing this deficit. The additional contributions included in the total employer contribution advised above are \$411,975.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The amount of additional contributions estimated for the next 4 years will be is \$ 1,647,900.

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

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

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

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

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

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

(v) Self insurance

The council does not have self insurance.

(w) 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.

(aa) 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

(ab) New accounting standards and interpretations

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

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

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

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

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

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

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

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

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

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

Applicable to Local Government but no implications for Council;

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

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

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

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

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

introduces a single definition of control that applies to all entities.

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

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

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

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

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

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

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

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

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

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

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure

requirements currently found in AASB 127 and AASB 128.

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

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

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

Not applicable to Local Government per se;

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

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	3,157	1,625	-	9,907	10,641	-	(6,750)	(9,016)	-	533	1,058	7,037	15,152
Administration	2,478	3,069	17,559	13,654	14,702	12,671	(11,176)	(11,633)	4,888	21	21	78,049	66,077
Public Order & Safety	2,739	193	3,955	9,152	4,621	6,008	(6,413)	(4,428)	(2,053)	162	156	188	2,432
Health	58	135	-	939	292	117	(881)	(157)	(117)	-	-	51	67
Environment	11,807	13,309	4,445	11,288	15,654	17,293	519	(2,345)	(12,848)	399	399	2,480	2,801
Community Services & Education	1,710	1,517	2,542	3,339	2,382	2,444	(1,629)	(865)	98	904	774	-	-
Housing & Community Amenities	4,102	2,584	2,304	8,283	5,986	4,326	(4,181)	(3,402)	(2,022)	146	154	32,360	34,541
Water Supplies	45	25	104	30	37	94	15	(12)	10	1	-	-	-
Recreation & Culture	1,409	4,342	6,599	5,603	9,902	11,142	(4,194)	(5,560)	(4,543)	-	-	661,568	660,770
Transport & Communication	1,012	2,095	3,228	5,079	3,233	8,716	(4,067)	(1,138)	(5,488)	648	495	295,583	280,201
Economic Affairs	9,109	8,822	6,161	4,683	4,889	6,740	4,426	3,933	(579)	73	55	12,165	19,893
Total Functions & Activities	37,626	37,716	46,897	71,957	72,339	69,551	(34,331)	(34,623)	(22,654)	2,887	3,112	1,089,481	1,081,934
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	167	681	-	-	-	-	167	681	-	-	6,638	6,789
General Purpose Income ¹	37,715	39,201	37,996	-	-	-	37,715	39,201	37,996	1,205	2,020	-	-
Operating Result from Continuing Operations	75,341	77,084	85,574	71,957	72,339	69,551	3,384	4,745	16,023	4,092	5,132	1,096,119	1,088,723

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

Pittwater Council

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

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

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

WATER SUPPLIES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Pittwater Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		32,830	30,812
Farmland		34	32
Business		4,077	3,841
Total Ordinary Rates		36,941	34,685
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		11,590	11,230
Stormwater Management Services		539	536
Total Annual Charges		12,129	11,766
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>49,070</u>	<u>46,451</u>

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Nil			
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Charges		211	177
Development Applications		697	621
Inspection Services		309	238
Section 149 Certificates (EPA Act)		255	219
Section 603 Certificates		129	88
Total Fees & Charges - Statutory/Regulatory		1,601	1,343
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Advertising Fees		171	147
Beach Parking		2,361	2,060
Caravan Park		5,472	4,892
Cemeteries		789	578
Child Care		372	933
Coastal Environmental Centre		209	157
Credit Card Recovery Fee		90	84
Film Permits		338	245
Golf Course		741	242
Lease Rentals		1,668	1,938
Leaseback Fees - Council Vehicles		419	419
Pittwater Rugby Park		178	144
Restoration Charges		634	888
Road Reserves		11	12
Other		559	700
Total Fees & Charges - Other		14,012	13,439
TOTAL USER CHARGES & FEES		15,613	14,782

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		160	180
- Interest earned on Investments (interest & coupon payment income)		1,348	1,642
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		-	69
Impairment Losses/Reversals			
- Impairment (Losses)/Reversals - Investments other than AFS		-	(24)
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>1,508</u>	<u>1,867</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		160	180
General Council Cash & Investments		666	921
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		339	424
Other Externally Restricted Assets		114	152
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		229	190
Total Interest & Investment Revenue Recognised		<u>1,508</u>	<u>1,867</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	40	50
Rental Income - Investment Properties	14	146	142
Fines - Parking		2,849	2,585
Fines - Other		26	32
Legal Fees Recovery - Other		129	115
Commissions & Agency Fees		2	3
Insurance Claim Recoveries		163	206
Market Income		44	70
Pre Lodgement (Planning)		84	37
Animal Management		30	46
Other		230	71
<u>TOTAL OTHER REVENUE</u>		<u>3,743</u>	<u>3,357</u>

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants					
General Purpose (Untied)					
Financial Assistance - General Component ¹		925	1,753	-	-
Pensioners' Rates Subsidies - General Component		280	267	-	-
Total General Purpose		1,205	2,020	-	-

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

Specific Purpose

Pensioners' Rates Subsidies:

- Domestic Waste Management	122	123	-	-
Aged Care	59	53	-	-
Child Care	447	1,017	-	-
Community Centres / Services	(10)	12	-	-
Environmental Programs	251	399	1,354	659
Heritage & Cultural	1	6	-	-
Library	155	154	-	-
Street Lighting	146	146	-	-
Transport (Roads to Recovery)	-	-	217	265
Transport (Other Roads & Bridges Funding)	-	-	-	123
Flood Works/Studies	6	88	50	19
Other	-	14	89	34
Total Specific Purpose	1,177	2,012	1,710	1,100
Total Grants	2,382	4,032	1,710	1,100

Grant Revenue is attributable to:

- Commonwealth Funding	1,718	3,085	-	325
- State Funding	654	944	-	1,139
- Other Funding	10	3	1,710	(364)
	2,382	4,032	1,710	1,100

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the LGA):					
S 94 - Contributions towards amenities/services		10	-	874	854
Total Developer Contributions	17	10	-	874	854
Other Contributions:					
LIRS Subsidy- Bungan Carpark		157	-	-	-
Roads & Bridges		-	-	892	11,060
RMS Contributions (Regional Roads, Block Grant)		91	58	396	364
Sports Ground Contributions		90	82	-	44
Storm Water Contributions		-	-	-	86
Ingleside Precinct Coordinator		109	-	-	-
Removal of Whale Carcas		-	9	-	-
Other		-	8	1	108
Total Other Contributions		447	157	1,289	11,662
Total Contributions		457	157	2,163	12,516
TOTAL GRANTS & CONTRIBUTIONS		2,839	4,189	3,873	13,616

\$ '000	Actual 2014	Actual 2013
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(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	11,086	13,033
add: Grants & contributions recognised in the current period but not yet spent:	2,371	1,998
less: Grants & contributions recognised in a previous reporting period now spent:	(3,513)	(3,945)
Net Increase (Decrease) in Restricted Assets during the Period	(1,142)	(1,947)
Unexpended and held as Restricted Assets	9,944	11,086
Comprising:		
- Specific Purpose Unexpended Grants	1,432	733
- Developer Contributions	8,413	10,290
- Other Contributions	99	63
	9,944	11,086

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		22,086	21,361
Travelling		11	43
Employee Leave Entitlements (ELE)		2,439	2,866
Superannuation		2,738	2,607
Workers' Compensation Insurance		880	720
Fringe Benefit Tax (FBT)		237	174
Training Costs (other than Salaries & Wages)		527	378
Other		15	9
Total Employee Costs		28,933	28,158
less: Capitalised Costs		(913)	(981)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>28,020</u>	<u>27,177</u>
Number of "Equivalent Full Time" Employees at year end		308	304
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		314	306
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		856	669
Charges relating to Finance Leases		12	14
Total Interest Bearing Liability Costs		868	683
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>868</u>	<u>683</u>

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		1,289	1,315
Contractor & Consultancy Costs			
- General		6,509	5,916
- Waste		5,424	5,154
- Plant Expenses		1,597	1,581
Auditors Remuneration ⁽¹⁾		60	61
Legal Expenses:			
- Legal Expenses: Planning & Development		557	411
- Legal Expenses: Other		427	277
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		515	598
- Operating Lease Rentals: Contingent Rentals ⁽²⁾		91	61
Other		859	687
Total Materials & Contracts		17,328	16,061
less: Capitalised Costs		(201)	(150)
TOTAL MATERIALS & CONTRACTS		17,127	15,911

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

Remuneration for audit and other assurance services**Total Auditor Remuneration**

60	61
60	61
60	61

2. Operating Lease Payments are attributable to:

Council Strata Levy & Photocopiers

Other

515	598
91	61
606	659

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	1,348	1,321
Office Equipment		-	-	653	550
Furniture & Fittings		-	-	232	241
Property, Plant & Equipment - Leased		-	-	24	24
Land Improvements (depreciable)		-	-	67	56
Buildings - Non Specialised		-	-	1,150	1,005
Buildings - Specialised		-	-	168	165
Other Structures		-	-	25	24
Infrastructure:					
- Roads		-	-	1,111	1,098
- Footpaths		-	-	140	133
- Roads Retaining Walls		-	-	143	142
- Kerb & Guttering		-	-	390	388
- Car Parks		-	-	124	118
- Stormwater Drainage		-	-	1,693	1,685
- Other Infrastructure		-	-	32	26
Other Assets					
- Library Books		-	-	207	200
- Other		-	-	1,254	1,086
Intangible Assets	25	-	-	141	141
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		-	-	8,902	8,403

Pittwater Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		441	348
Bad & Doubtful Debts		(47)	99
Bank Charges		214	197
Commissions		479	419
Consultancies		2,301	2,159
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		174	168
- NSW Fire Brigade Levy		1,493	1,501
- Other Contributions/Levies		448	573
Councillor Expenses - Mayoral Fee		37	36
Councillor Expenses - Councillors' Fees		160	147
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		121	115
Electricity & Heating		596	621
Family Day Care Fee Relief		191	505
Insurance		1,116	1,037
Management Fees		1,203	1,037
Postage		131	128
Printing & Stationery		377	370
Street Lighting		1,071	1,081
Subscriptions & Publications		268	275
Sustenance		131	151
Telephone & Communications		466	408
Valuation Fees		115	110
Waste Disposal		5,206	4,871
Water Rates		391	370
RFS Contribution		388	417
Other		146	426
Total Other Expenses		17,617	17,569
less: Capitalised Costs		(195)	(192)
<u>TOTAL OTHER EXPENSES</u>		<u>17,422</u>	<u>17,377</u>

Pittwater Council

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

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,434	1,791
less: Carrying Amount of P&E Assets Sold / Written Off		(1,163)	(1,160)
Net Gain/(Loss) on Disposal		271	631
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		90,000	86,575
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(90,000)	(86,575)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>271</u>	<u>631</u>

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,321	-	2,335	-
Cash-Equivalent Assets ¹					
- Deposits at Call		2,500	-	2,000	-
Total Cash & Cash Equivalents		4,821	-	4,335	-
Investments (Note 6b)					
- Long Term Deposits		26,500	-	31,250	-
Total Investments		26,500	-	31,250	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		31,321	-	35,585	-

¹ Investments that are highly liquid, readily convertible to known amounts of cash and subject to insignificant risk of changes in value

**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"

	4,821	-	4,335	-
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Investments

b. "Held to Maturity"

6(b-ii)

Investments

	26,500	-	31,250	-
	26,500	-	31,250	-

Note 6(b-i)

**Reconciliation of Investments classified as
"At Fair Value through the Profit & Loss"**

Balance at the Beginning of the Year	-	-	268	-
Revaluations (through the Income Statement)	-	-	69	-
Disposals (sales & redemptions)	-	-	(337)	-
Total	-	-	-	-

Note 6(b-ii)

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

Balance at the Beginning of the Year	31,250	-	22,262	-
Additions	85,250	-	95,250	-
Impairment (loss)/prior loss reversal (via P&L)	-	-	(24)	-
Disposals (sales & redemptions)	(90,000)	-	(86,238)	-
Balance at End of Year	26,500	-	31,250	-

Comprising:

- Long Term Deposits	26,500	-	31,250	-
Total	26,500	-	31,250	-

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	31,321	-	35,585	-
attributable to:				
External Restrictions (refer below)	12,779	-	13,431	-
Internal Restrictions (refer below)	11,456	-	16,586	-
Unrestricted	7,086	-	5,568	-
	31,321	-	35,585	-

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General	(D)	10,290	1,223	(3,100)	8,413
RMS (formerly RTA) Contributions	(E)	63	633	(597)	99
Specific Purpose Unexpended Grants	(F)	733	3,945	(3,246)	1,432
Domestic Waste Management	(G)	2,237	494	-	2,731
Stormwater Management	(G)	108	548	(552)	104
External Restrictions - Other		13,431	6,843	(7,495)	12,779
Total External Restrictions		13,431	6,843	(7,495)	12,779

- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained (refer Note 1).
- 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	1,607	-	(38)	1,569
Carry Over Works	340	230	(340)	230
Deposits, Retentions & Bonds	473	85	-	558
Caravan Park Capital Works	396	299	(658)	37
Cemetery Reserve	2,293	464	(86)	2,671
Controlled Entities	3	6	-	9
Election Reserve	-	75	-	75
Environmental Levy (Escarpment)	183	7	(13)	177
Environmental Infrastructure Levy	318	12	(1)	329
General Reserve	2,915	203	(1,181)	1,937
Lagoon Entrance Clearing	-	55	-	55
Marine Infrastructure	35	57	(29)	63
Outdoor Seating	292	80	(103)	269
Road Reserve	289	17	(168)	138
Strategic Property Rationalisation Reserve	81	-	-	81
Tennis Liaison Trust Fund	151	62	(58)	155
Loan CIP June 2012/13	-	1,000	(1,000)	-
Loan Lakeside Caravan Park 2012/13	684	1,000	(1,684)	-
RMS Contribution McCarrs Creek Road	375	-	(73)	302
Bungan Lane Car Park (LIRS Loan)	3,916	100	(3,915)	101
Church Point Car Park	370	314	-	684
Narrabeen Synthetic Sportsfield	154	29	-	183
Special Rates Variation	841	3,935	(3,752)	1,024
Avalon Suf Life Club Refurbishment	-	1,000	(839)	161
Other	870	339	(561)	648
Total Internal Restrictions	16,586	9,369	(14,499)	11,456
TOTAL RESTRICTIONS	30,017	16,212	(21,994)	24,235

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges	(i),(ii),(iii)	1,258	808	1,416	775
Interest & Extra Charges		172	117	252	144
User Charges & Fees		731	-	678	-
Accrued Revenues					
- Interest on Investments		170	-	328	-
Government Grants & Subsidies		836	44	491	44
Net GST Receivable		517	-	485	-
Fines Outstanding		459	197	461	197
Other Debtors		69	-	147	-
Total		4,212	1,166	4,258	1,160
less: Provision for Impairment					
User Charges & Fees		(67)	-	(135)	(44)
Fines		(338)	(145)	(346)	(148)
Other Debtors		-	(44)	-	-
Total Provision for Impairment - Receivables		(405)	(189)	(481)	(192)
<u>TOTAL NET RECEIVABLES</u>	(iv)	<u>3,807</u>	<u>977</u>	<u>3,777</u>	<u>968</u>
Externally Restricted Receivables					
Domestic Waste Management		247	168	303	166
Stormwater Management		13	9	15	8
Total External Restrictions		260	177	318	174
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		3,547	800	3,459	794
TOTAL NET RECEIVABLES		3,807	977	3,777	968

Notes on Debtors above:

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

Pittwater Council

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		50	-	58	-
Trading Stock		1	-	1	-
Total Inventories		51	-	59	-
Other Assets					
Prepayments		48	-	879	-
Total Other Assets		48	-	879	-
<u>TOTAL INVENTORIES / OTHER ASSETS</u>		<u>99</u>	<u>-</u>	<u>938</u>	<u>-</u>

Externally Restricted Assets

There are no restrictions applicable to the above assets.

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period					as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	333	-	-	-	333	6,191	-	-	(333)	-	6,191	-	-	-	6,191
Plant & Equipment	-	8,482	3,474	-	5,008	2,277	(1,150)	(1,348)	-	-	-	9,609	4,822	-	4,787
Office Equipment	-	7,698	5,965	-	1,733	820	-	(653)	-	-	-	8,508	6,608	-	1,900
Furniture & Fittings	-	2,507	1,826	-	681	42	-	(232)	-	-	-	2,539	2,048	-	491
Plant & Equipment (under Finance Lease)	-	244	94	-	150	-	-	(24)	-	-	-	256	130	-	126
Land:															
- Operational Land	-	51,293	-	-	51,293	-	-	-	-	(229)	-	51,064	-	-	51,064
- Community Land	-	583,741	-	-	583,741	5	-	-	-	-	-	583,746	-	-	583,746
Land Improvements - depreciable	-	5,606	651	-	4,955	338	-	(67)	250	-	-	6,194	718	-	5,476
Buildings - Non Specialised	-	66,933	19,377	-	47,556	5,733	(13)	(1,150)	83	-	-	72,735	20,526	-	52,209
Buildings - Specialised	-	36,818	12,678	-	24,140	239	-	(168)	-	-	-	37,057	12,846	-	24,211
Other Structures	-	2,135	268	-	1,867	242	-	(25)	-	-	-	2,377	293	-	2,084
Infrastructure:															
- Roads	-	124,915	28,408	-	96,507	2,334	-	(1,111)	-	-	-	127,248	29,518	-	97,730
- Footpaths	-	16,292	2,042	-	14,250	505	-	(140)	-	-	-	16,797	2,182	-	14,615
- Roads Retaining Walls	-	20,586	6,830	-	13,756	117	-	(143)	-	-	-	20,703	6,973	-	13,730
- Kerb & Guttering	-	77,515	21,586	-	55,929	-	-	(390)	-	-	-	77,515	21,976	-	55,539
- Car Parks	-	16,936	6,485	-	10,451	913	-	(124)	-	-	-	17,850	6,609	-	11,241
- Stormwater Drainage	-	137,719	37,305	-	100,414	962	-	(1,693)	-	-	-	138,682	38,999	-	99,683
- Other Infrastructure	-	2,985	254	-	2,731	304	-	(32)	-	-	-	3,290	286	-	3,004
Other Assets:															
- Library Books	-	1,790	1,260	-	530	240	-	(207)	-	-	-	2,031	1,468	-	563
- Other	-	24,994	5,105	-	19,889	1,371	-	(1,254)	-	229	-	26,283	6,048	-	20,235
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	333	1,189,189	153,608	-	1,035,914	22,633	(1,163)	(8,761)	-	-	6,191	1,204,484	162,050	-	1,048,625

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$6,427) and New Assets (\$8,176). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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

Asset Renewals & Additions	\$'000
Roads	2,705
Drainage	484
Buildings	1,444
Footpaths	564
Other	1,230
Total Renewals	6,427
Additions for the year	16,206
TOTAL ADDITIONS AND RENEWALS	22,633

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,575	-	3,067	-
Goods & Services - capital expenditure		1,714	-	495	-
Payments Received In Advance		918	-	614	-
Accrued Expenses:					
- Interest on Bonds & Deposits		156	-	153	-
- Salaries & Wages		219	-	160	-
- Other Expenditure Accruals		172	-	169	-
Security Bonds, Deposits & Retentions		558	-	473	-
Total Payables		6,312	-	5,131	-
Borrowings					
Loans - Secured ¹		1,284	14,011	1,184	12,290
Finance Lease Liabilities		-	-	156	-
Total Borrowings		1,284	14,011	1,340	12,290
Provisions					
Employee Benefits;					
Annual Leave		2,139	-	2,167	-
Sick Leave		267	-	252	-
Long Service Leave		5,235	195	5,428	155
Other Leave		7	-	36	-
Sub Total - Aggregate Employee Benefits		7,648	195	7,883	155
Total Provisions		7,648	195	7,883	155
Total Payables, Borrowings & Provisions		15,244	14,206	14,354	12,445

\$ '000	Actual 2014	Actual 2013
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(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	5,097	5,847
Payables - Security Bonds, Deposits & Retentions	558	315
	5,655	6,162

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	4,821	4,335
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		4,821	4,335
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		4,745	16,023
Adjust for non cash items:			
Depreciation & Amortisation		8,902	8,403
Net Losses/(Gains) on Disposal of Assets		(271)	(631)
Non Cash Capital Grants and Contributions		-	(11,060)
Impairment Losses / (Prior Period Reversals) - Financial Investments		-	24
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		-	(69)
- Investment Properties		(40)	(50)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
Share of Net (Profits) or Losses of Associates/Joint Ventures		(167)	(681)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		40	162
Increase/(Decrease) in Provision for Doubtful Debts		(79)	98
Decrease/(Increase) in Inventories		8	(3)
Decrease/(Increase) in Other Assets		831	(544)
Increase/(Decrease) in Payables		(492)	(1,490)
Increase/(Decrease) in other accrued Expenses Payable		62	12
Increase/(Decrease) in Other Liabilities		392	263
Increase/(Decrease) in Employee Leave Entitlements		(195)	694
NET CASH PROVIDED FROM/(USED IN)			
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		13,736	11,151

(c) Financing Arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank Overdraft Facilities ⁽¹⁾	500	500
Total Financing Arrangements	500	500

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.

Pittwater Council

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

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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			
Mona vale Carpark		2,332	-
Total Commitments		2,332	-
These expenditures are payable as follows:			
Within the next year		2,332	-
Total Payable		2,332	-
Sources for Funding of Capital Commitments:			
Sect 64 & 94 Funds/Reserves		2,332	-
Total Sources of Funding		2,332	-

Details of Capital Commitments

Mona Vale Carpark Outstanding Works = \$2,331,881

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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(b) Finance Lease Commitments

(i) Commitments under Finance Leases at the Reporting Date
are payable as follows:

Within the next year	-	168
Total Minimum Lease Payments	-	168
less: Future Finance Charges	-	(12)
Amount Recognised as a Liability	-	156

(ii) Finance Lease Liability Recognised represent;

Current Liabilities	-	156
Non-Current Liabilities	-	-
Total Finance Lease Liabilities Disclosed	-	156

(iii) General Details

Council Leases the following Property, Plant & Equipment under Finance Leases:

	Term (Years)	Option to Purchase	Contingent Rent Clauses		
Other Equipment/Assets	5	Y		-	156
Total Carrying Value at Year End				-	156

(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	39	58
Later than one year and not later than 5 years	27	87
Total Non Cancellable Operating Lease Commitments	66	145

Conditions relating to Finance & Operating Leases:

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	394	0.54%	1.42%	-0.49%
Total continuing operating revenue ⁽¹⁾	72,733			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(less ALL Grants & Contributions)	69,894	91.24%	78.84%	81.14%
Total continuing operating revenue ⁽¹⁾	76,606			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions	22,188	2.31 : 1	3.24	2.59
Current Liabilities less Specific Purpose Liabilities ^(2 3)	9,589			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	10,164	4.61	6.05	5.98
Principal Repayments (from the Statement of Cash Flows)	2,203			
+ Borrowing Interest Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	2,355	4.54%	5.26%	5.49%
Rates, Annual and Extra Charges Collectible	51,817			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	31,321	5.32	6.26	6.61
Payments from cash flow of operating and financing activities	5,886			

Notes

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

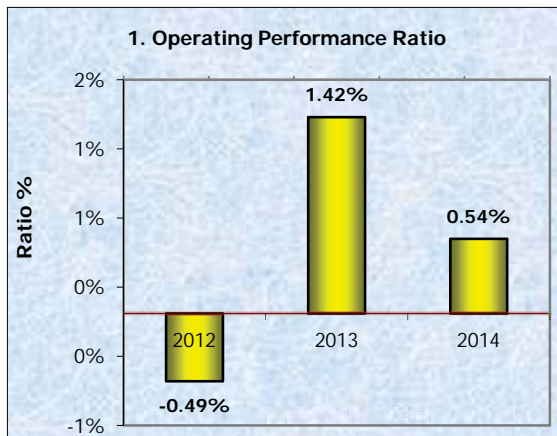
⁽²⁾ Refer to Note 10(a).

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

Pittwater Council

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

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



Purpose of Operating Performance Ratio

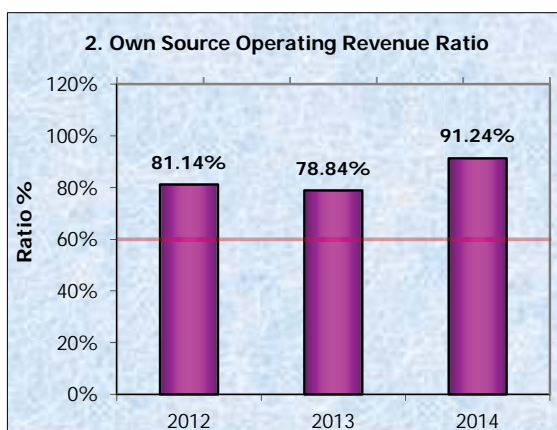
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2013/14 Result

2013/14 Ratio 0.54%

Council's Operating Performance Ratio in 2012, dipped into negative due to an increase in wages and waste disposal costs. However, these costs have been contained and for the last two years Council has maintained a positive Operating Performance Ratio in excess of NSW Treasury Corporations benchmark. The moderate reduction in 2014 is reflective of additional operating costs associated with depreciation, materials, contracts and borrowing costs.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Own Source Operating Revenue Ratio

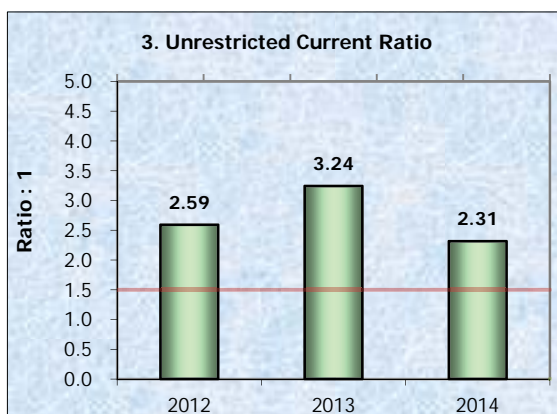
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.

Commentary on 2013/14 Result

2013/14 Ratio 91.24%

As indicated, with a ratio of 91.24%, Council's ability to generate its own sources of funding such as from rates and user fees is sound and in excess of NSW Treasury Corporations benchmark. The ratio pattern remains consistent through the comparative years when taking into account the abnormally high denominator in 2013 associated with a high level of grants and contribution received for that year.

Source for Benchmark: Code of Accounting Practice and Financial Reporting



Purpose of Unrestricted Current Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 2.31 : 1

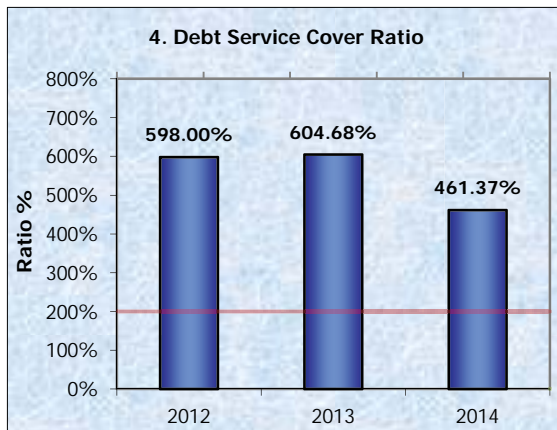
This ratio indicates that Council currently projects to have \$2.31 (excluding externally restricted funds such as S94 and grant monies) available to service every \$1 of debt as it falls due at the end of the year. 2.31:1 is considered sound and clearly demonstrates Council's ability to satisfy short term obligations. The increase of this ratio from prior year is mainly attributed with an increase in cash held and a reduction in current liabilities (eg. payables).

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Pittwater Council

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

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



Source for Benchmark: NSW Treasury Corporation

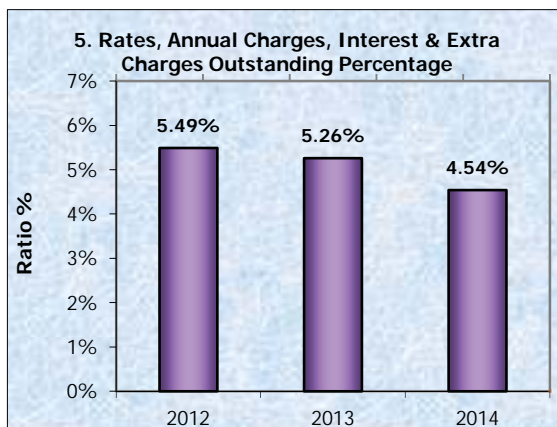
Purpose of Debt Service Cover Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 4.61

As indicated with a ratio 4.62 (461%) to 1, Council's ability to generate sufficient cash to cover its debt payments is sound and far in excess of NSW Treasury corporations benchmark. The decreases in ratio from the prior years is reflective of additional borrowing costs associated with Council budgeted increase in its borrowing programme to better service Council's infrastructure requirements.



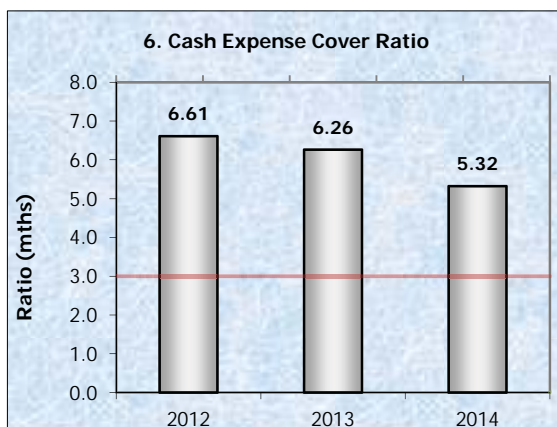
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 4.54%

This ratio indicates the percentage of Rates and Annual charges outstanding at the end of the financial year. This ratio remains low at 4.54%, and is a slight decrease from last year, reflecting council strategy in long term debt collections resulting in the steady reduction of such debts.



Source for Benchmark: Code of Accounting Practice and Financial Reporting

Purpose of Cash Expense Cover Ratio

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

Commentary on Result

2013/14 Ratio 5.32

As indicated with the ratio of 5.32 months, Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and is in far excess of NSW Treasury Corporations benchmark. The minor decrease in the 2014 ratio is as a result of Council's decrease in cash associated with prior year loan borrowings that have now been expenses on Capital works in 2014

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
Investment Properties on Hand		1,840	1,800
Reconciliation of Annual Movement:			
Opening Balance		1,800	1,750
- Net Gain/(Loss) from Fair Value Adjustments		40	50
CLOSING BALANCE - INVESTMENT PROPERTIES		1,840	1,800

(b) Valuation Basis

See Note 23 for details

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows:

Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are receivable as follows:

Within 1 year	12	142
Total Minimum Lease Payments Receivable	12	142

Council has leased unit 9 for three year term which expires on the 31st July 2014 rental is paid monthly in advance.

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	146	142
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(28)	(28)
Net Revenue Contribution from Investment Properties	118	114
plus:		
Fair Value Movement for year	40	50
Total Income attributable to Investment Properties	158	164

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	4,821	4,335	4,821	4,335
Investments				
- "Held to Maturity"	26,500	31,250	26,500	31,250
Receivables	4,784	4,745	4,784	4,745
Total Financial Assets	36,105	40,330	36,105	40,330
Financial Liabilities				
Payables	5,394	4,517	5,394	4,517
Loans / Advances	15,295	13,474	15,295	13,474
Lease Liabilities	-	156	-	156
Total Financial Liabilities	20,689	18,147	20,689	18,147

Fair Value is determined as follows:

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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
2014				
Possible impact of a 1% movement in Interest Rates	290	290	(290)	(290)
2013				
Possible impact of a 1% movement in Interest Rates	313	313	(313)	(313)

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	96%	83%	96%	82%
Overdue	4%	17%	5%	18%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	231	1,387	35	1,350
Past due by up to 30 days	-	372	297	700
Past due between 31 and 60 days	76	918	333	401
Past due between 61 and 90 days	24	277	-	-
Past due by more than 90 days	1,735	358	1,526	776
	2,066	3,312	2,191	3,227
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			673	575
+ new provisions recognised during the year			-	98
- amounts already provided for & written off this year			(23)	-
- amounts provided for but recovered during the year			(11)	-
- previous impairment losses reversed			(45)	-
Balance at the end of the year			594	673

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	558	4,836	-	-	-	-	-	5,394	5,394
Loans & Advances	-	1,284	1,363	1,446	1,539	1,636	8,027	15,295	15,295
Total Financial Liabilities	558	6,120	1,363	1,446	1,539	1,636	8,027	20,689	20,689
2013									
Trade/Other Payables	473	4,044	-	-	-	-	-	4,517	4,517
Loans & Advances	-	1,184	1,049	1,116	1,185	1,264	7,676	13,474	13,474
Lease Liabilities	-	156	-	-	-	-	-	156	156
Total Financial Liabilities	473	5,384	1,049	1,116	1,185	1,264	7,676	18,147	18,147

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	5,394	3.9%	4,517	4.9%
Loans & Advances - Fixed Interest Rate	15,295	5.1%	13,474	7.4%
	<u>20,689</u>		<u>18,147</u>	

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

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

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

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

Note that for Variations* of Budget to Actual :

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

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

\$'000	2014 Budget	2014 Actual	2014 ----Variance----	
REVENUES				
Rates & Annual Charges	49,083	49,070	(13)	0% U
User Fees & Charges	14,990	15,613	623	4% F
Interest & Investment Income	1,405	1,508	103	7% F
Other Revenues	3,164	3,743	579	18% F
This favourable variance is mainly associated with an increase in fines income \$162,000, improved legal recoveries \$78,000 and additional Other income associated with markets days, festivals, dinghy pole etc. \$155,000				
Grants & Contributions provided for Operating Purposes	3,373	2,839	(534)	-16% U
This unfavourable variance is mainly associated with a decrease of \$452,000 in grants associated with Child Care Fee Relief due to Council no longer offering the service from September 2014 and other decreases in operational grants \$72,000.				
Grants & Contributions provided for Capital Purposes	2,324	3,873	1,549	67% F
This favourable variance is mainly associated with an increase in RTA Regional Blocks Grant Income of \$179,000, an additional one off Organic Collection grant from the NSW Environmental Trust of \$905,000 and additional Capital Contributions associated with the Avalon Surf Club Upgrade of \$780,000 offset by a reduction in Developer Contributions of \$470,000				
Net Gain from Disposal of Assets	503	271	(232)	-46% U
This unfavourable variance is mainly associated with a decrease of \$352,000 in net gains due to unrealised sales of cabins at Council's Lakeside Tourist Park, offset by additional profit from the sale of Council's plant and equipment of \$120,000				

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$'000	2014 Budget	2014 Actual	2014 ----Variance----	
Share of Net Profits- Joint Ventures & Associates	499	167	-332	-67% U
This unfavourable variance is mainly associated with a prior year adjustment (write down) of Kimbriki Environment Enterprises Assets of which Council was required to realise its share in the Income Statement				
EXPENSES				
Employee Benefits & Oncosts	29,343	28,020	1,323	-5% F
Borrowing Costs	855	868	(13)	2% U
Materials & Contracts	15,493	17,127	(1,634)	11% U
This unfavourable variance is mainly associated with an increase in maintenance costs of \$863,000 associated with Commercial Centres, Amenities Cleaning, Trees, Wharfs, Reserves, Restoration Works, Playgrounds, Pavements and Graffiti in addition to an increase in costs for Fuel \$49,000, Stores and Plant \$145,000, Vehicle Maintenance \$40,000, Life Guard Services \$40,000, Bushland Management \$303,000, Domestic Waste Management \$45,000, Parking Control \$28,000 and costs associated with Building maintenance of \$51,000				
Depeciation & Amortisation	8,748	8,902	(154)	2% U
Other Expenses	17,518	17,422	96	-1% F

Note: Only Variances greater than 10% require a detailed explanation

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1,498	32	-	53	-	-	1,583	14,620	(15,725)	478	-
Roads	630	114	-	10	(1,002)	-	(248)	21,370	(22,985)	(1,863)	-
Parking	3,531	-	-	116	(1,053)	-	2,594	-	(2,594)	-	-
Open Space	(705)	347	-	(31)	(571)	-	(960)	16,541	(18,223)	(2,642)	-
Community Facilities	5,656	205	-	200	(309)	-	5,752	11,764	(12,890)	4,626	-
Other	(320)	186	-	(9)	(165)	-	(308)	1,717	(2,371)	(962)	-
S94 Contributions - under a Plan	10,290	884	-	339	(3,100)	-	8,413	66,012	(74,788)	(363)	-
Total S94 Revenue Under Plans	10,290	884	-	339	(3,100)	-	8,413				-
Total Contributions	10,290	884	-	339	(3,100)	-	8,413	66,012	(74,788)	(363)	-

CONTRIBUTION PLAN NUMBER 1 - MONA VALE CAR PARK

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	3,435	-	-	113	(1,053)	-	2,495	-	(2,495)	-	-
Total	3,435	-	-	113	(1,053)	-	2,495	-	(2,495)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2 - OPEN SPACE, BUSHLAND AND RECREATION

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	
Open Space	608	347	-	16	(538)	-	433	-	(433)	-	-
Total	608	347	-	16	(538)	-	433	-	(433)	-	-

CONTRIBUTION PLAN NUMBER 3 - PUBLIC LIBRARY SERVICES

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	
Community Facilities	227	73	-	7	(100)	-	207	-	(207)	-	-
Total	227	73	-	7	(100)	-	207	-	(207)	-	-

CONTRIBUTION PLAN NUMBER 4 to 10 & 15 - WARRIEWOOD VALLEY and MATERIAL PUBLIC WORKS

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	1,498	32	-	53	-	-	1,583	14,620	(15,725)	478	-
Roads	630	114	-	10	(1,002)	-	(248)	21,370	(22,985)	(1,863)	-
Open Space	(1,313)	-	-	(47)	(33)	-	(1,393)	16,541	(17,790)	(2,642)	-
Community Facilities	5,321	6	-	188	-	-	5,515	11,764	(12,653)	4,626	-
Other	(811)	9	-	(29)	-	-	(831)	1,717	(1,848)	(962)	-
Total	5,325	161	-	175	(1,035)	-	4,626	66,012	(71,001)	(363)	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 14 - NEWPORT CAR PARK

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	96	-	-	3	-	-	99	-	(99)	-	-
Total	96	-	-	3	-	-	99	-	(99)	-	-

CONTRIBUTION PLAN NUMBER 18 - COMMUNITY SERVICE FACILITIES

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	
Community Facilities	108	126	-	5	(209)	-	30	-	(30)	-	-
Total	108	126	-	5	(209)	-	30	-	(30)	-	-

CONTRIBUTION PLAN NUMBER 19 - VILLAGE STREETSCAPE

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	491	177	-	20	(165)	-	523	-	(523)	-	-
Total	491	177	-	20	(165)	-	523	-	(523)	-	-

Pittwater Council

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

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

The Local Government Superannuation Scheme 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 it's 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.

Pittwater Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Pittwater Council

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

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

\$ '000

Currawong

In April 2011, the NSW Government acquired Currawong from a Private Third Party.

The NSW Government purchase of Currawong was undertaken for the basis of securing Currawong into public ownership with the intent of a broader proposal to establish a State Park at Pittwater. Council participated in a joint funding arrangement to offset some of the Governments cost in acquiring the property.

Currawong is approximately 200,000 sqm (20 hectares) including 350 metres of sandy beach frontage along with wharf and building infrastructures. The lower area, including the cabins, is approx 40,000 sq m (4 hectares). This area has been used for holiday accommodation.

In the creation of a Pittwater State Park there are a number of key matters, including:

- Ownership of certain Council lands (69A Beaconsfield Street, Newport) to be assumed by the NSW Government for the specific purpose to assist in the acquisition of Currawong;
- Great Mackerel Beach Reserve (Council-owned) to be incorporated into the State Park;
- Pittwater Park (including the public wharf – all being Crown Land) to be incorporated into the State Park;
- Governor Phillip Park (being Crown Land) to be incorporated into the State Park

Further to the above, the NSW Government has agreed to establish an appropriate management structure for the State Park which reflects the interests of various key stakeholders. It is anticipated that a Management Structure to oversee the ongoing management of the State Park will comprise of a Board/ Trust composed of:

- An independent chair
- 2 X NSW Government representatives
- 2 X Council representatives
- 2 X Community representatives

As at Balance Date there remains a need to complete formalised arrangements between the NSW Government and Pittwater Council to:

- Define respective responsibilities and management arrangements to finalise trust arrangements,
- Seek confirmation from the Valuer General as to the value of Land (currently valued in the order of \$9 million to \$12 million dollars) for purposes of inclusion in the appropriate Authorities Financial Accounts under AASB 116 "Property, Plant and Equipment, and
- Outline ongoing operations in establishing the State Park inclusive of Currawong.

Accordingly, council has decided not to enter a value of land and building associated with Currawong into its 2013/14 Financial Statements due to arrangements still not being formalised but will note the above as a Contingent Asset. When responsibilities and values are finalised council will then account for these matters as per appropriate Accounting Standards. All income derived from Currawong Cottage has been treated as internally restricted funds.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

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;

Associated Entities & Joint Venture Entities

Note 19(a) (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 (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	304	794	5,661	5,675
Joint Venture Entities	(137)	(113)	977	1,114
Total	167	681	6,638	6,789

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

(a) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2014	2013
Kimbriki Environmental Services P/L	Recycling	5,661	5,675
Total Carrying Amounts - Associated Entities		5,661	5,675

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Kimbriki Environmental Services P/L	34%	34%	34%	34%	34%	34%

(c) Movement in Carrying Amounts of Council's Equity Interest

	Kimbriki Environmental Services P/L	
	2014	2013
Opening Balance	5,675	5,241
Share in Operating Result	304	793
Distributions Received	(318)	(359)
Council's Equity Share in the Associated Entity	5,661	5,675

(d) Summarised Financial Information of Associated Entities - Council's Share

2014	Assets	Liabilities	Net Assets	Revenues	Profit
Kimbriki Environmental Services P/L	8,308	2,647	5,661	9,587	304
Totals	8,308	2,647	5,661	9,587	304
 2013					
Kimbriki Environmental Services P/L	7,083	1,408	5,675	8,362	794
Totals	7,083	1,408	5,675	8,362	794

Pittwater Council

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

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

\$ '000

(b) Associated Entities & Joint Venture Entities (continued)

(ii) JOINT VENTURE ENTITIES

(a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Warringah/Pittwater Bushfire Committee	Regional Bushfire Prevention	977	1,114
Total Carrying Amounts - Joint Venture Entities		977	1,114

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Warringah/Pittwater Bushfire Committee	50%	50%	50%	50%	50%	50%

(c) Movement in Carrying Amounts

	Warringah/Pittwater Bushfire Committee	
	2014	2013
Opening Balance	1,114	1,227
Share in Operating Result	(137)	(113)
New Capital Contributions	388	417
Adjustments to Equity	(388)	(417)
Council's Equity Share in the Joint Venture Entity	977	1,114

(d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
2014					
Warringah/Pittwater Bushfire Committee	901	76	-	-	977
Totals	901	76	-	-	977
2013					
Warringah/Pittwater Bushfire Committee	1,027	87	-	-	1,114
Totals	1,027	87	-	-	1,114

(e) Share of Joint Ventures Revenues, Expenses & Results

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Warringah/Pittwater Bushfire Committee	714	851	(137)	563	676	(113)
Totals	714	851	(137)	563	676	(113)

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,011,442	995,419
a. Net Operating Result for the Year		4,745	16,023
Balance at End of the Reporting Period		1,016,187	1,011,442
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		50,482	50,482
Total		50,482	50,482
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		50,482	50,482
- Balance at End of Year		50,482	50,482
TOTAL VALUE OF RESERVES		50,482	50,482

Note 21. Financial Result & Financial Position by Fund

Council does not have any Water or Sewer Funds

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

Council does not have any Non Assets & Disposal Groups "Held for Sale"

Note 23. Events occurring after the Reporting Date

The Carbon pricing act was repealed in July 2014.

The Council has previously recognised the impact of the Carbon Pricing Mechanism Scheme at Council's Associate interest of Kimbriki waste facility.

The Council's share of its vested interest of 34.45%, amounting to \$ 480,922 which was recognised in the 2012 & 2013 Kimbriki accounts, will be reversed in future periods.

Pittwater Council

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

Note 24. Discontinued Operations

Council does not have any operations as "Discontinued".

Note 25. Intangible Assets

\$ '000	Actual	
	2014	2013
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	3,515	3,515
Accumulated Amortisation (1/7)	(563)	(422)
Net Book Value - Opening Balance	2,952	3,093
 - Amortisation charges	(141)	(141)
Closing Values:		
Gross Book Value (30/6)	3,515	3,515
Accumulated Amortisation (30/6)	(703)	(563)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹</u>	<u>2,812</u>	<u>2,952</u>
 ¹ The Net Book Value of Intangible Assets represent:		
- Right to participate in Kimbriki Environmental Enterprises P/L	2,812	2,952
	2,812	2,952

Pittwater Council

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

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

Council does not have any liabilities relating "Reinstatement, Rehabilitation & Restoration

Note 27. Fair Value Measurement

\$ '000

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

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

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

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

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

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

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

2014	Note	Fair Value Measurement Hierarchy			Total
		Level 1	Level 2	Level 3	
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring Fair Value Measurements					
Investment Properties					
Unit 9 Vuko Place Warriewood	14 30/06/2014	-	-	1,840	1,840
Total Investment Properties		-	-	1,840	1,840
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/2014	-	-	4,787	4,787
Office Equipment	30/06/2014	-	-	1,900	1,900
Furniture Fittings	30/06/2014	-	-	491	491
Plant & Equipment under financial lease	30/06/2014	-	-	126	126
Operational Land	30/06/2014	-	-	51,064	51,064
Community Land	30/06/2014	-	-	583,746	583,746
Land Improvements	30/06/2014	-	-	5,476	5,476
Building Specialised	30/06/2014	-	-	24,211	24,211
Building Non Specialised	30/06/2014	-	-	52,209	52,209
Other Structures	30/06/2014	-	-	2,084	2,084
Roads	30/06/2014	-	-	97,730	97,730
Footpaths	30/06/2014	-	-	14,615	14,615
Roads- Retaining Walls	30/06/2014	-	-	13,730	13,730
Kerb & Guttering	30/06/2014	-	-	55,539	55,539
Car Parks	30/06/2014	-	-	11,241	11,241
Other Infrastructure	30/06/2014	-	-	3,004	3,004
Storm Water	30/06/2014	-	-	99,683	99,683
Work in Progress	30/06/2014	-	-	6,191	6,191
Library Books	30/06/2014	-	-	563	563
Other	30/06/2014	-	-	20,235	20,235
Total Infrastructure, Property, Plant & Equipment		-	-	1,048,625	1,048,625

Note: Council does not have any Assets that are valued at Level 1.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Operational Land	Community Land	Land Improve- ments	Buildings Non- Specialised	Total
Opening Balance - 1/7/12	51,293	583,741	4,632	44,004	683,670
Additions	-	-	379	4,557	4,936
Depreciation	-	-	(56)	(1,005)	(1,061)
Closing Balance - 30/6/13	51,293	583,741	4,955	47,556	687,545
Transfers from/(to) another asset class	(229)	-	250	-	21
Purchases (GBV)	-	5	338	5,803	6,146
Depreciation & Impairment	-	-	(67)	(1,150)	(1,217)
Closing Balance - 30/6/14	51,064	583,746	5,476	52,209	692,495

	Buildings Specialised	Other Structures	Roads	Foot- Paths	Total
Opening Balance - 1/7/12	24,305	1,832	94,388	13,968	134,493
Additions	-	59	3,217	415	3,691
Depreciation	(165)	(24)	(1,098)	(133)	(1,420)
Closing Balance - 30/6/13	24,140	1,867	96,507	14,250	136,764
Purchases (GBV)	239	242	2,334	505	3,320
Depreciation & Impairment	(168)	(25)	(1,111)	(140)	(1,444)
Closing Balance - 30/6/14	24,211	2,084	97,730	14,615	138,640

Pittwater Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Roads Retaining Walls	Kerb and Guttering	Car Parks	Other Infra- structure	Total
Opening Balance - 1/7/12	13,898	56,149	10,337	2,529	82,913
Additions	-	168	233	229	630
Depreciation	(142)	(388)	(118)	(26)	(674)
Closing Balance - 30/6/13	13,756	55,929	10,452	2,732	82,869
Purchases (GBV)	117	-	913	304	1,334
Depreciation & Impairment	(143)	(390)	(124)	(32)	(689)
Closing Balance - 30/6/14	13,730	55,539	11,241	3,004	83,514
	Plant and Equipment	Storm Water Drainage	Other assets & Library Books	WIP	Total
Opening Balance - 1/7/12	7,316	101,417	16,865	333	125,931
Adoption of AASB 13	-	-	-	-	-
Additions	2,392	682	4,840	-	7,914
Depreciation	(2,136)	(1,685)	(1,286)	-	(5,107)
Closing Balance - 30/6/13	7,572	100,414	20,419	333	128,738
Transfers from/(to) another asset class	-	-	229	(333)	(104)
Purchases (GBV)	1,989	962	1,611	6,191	10,753
Disposals (WDV)	-	-	-	-	-
Depreciation & Impairment	(2,257)	(1,693)	(1,461)	-	(5,411)
Closing Balance - 30/6/14	7,304	99,683	20,798	6,191	133,976
	Investment Property				
Opening Balance - 1/7/13	1,800				1,800
FV Gains - Income Statement ¹	40	-	-	-	40
Closing Balance - 30/6/14	1,840	-	-	-	1,840
¹ FV Gains recognised in the Income Statement relating to assets still on hand at year end total:					
YE 13/14	40	-	-	-	40
	40	-	-	-	40

Pittwater Council

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

Note 27. Fair Value Measurement

(3) Valuation techniques used to derive Level 3 Fair Values

Property, Plant & Equipment, Furniture & Fittings

Council's Plant & Equipment, Furniture Fittings incorporates

- Major plants Truck , tractors, street sweepers
- Fleet Vehicles Cars, vans, utes etc.
- Minor Plant Chainsaws, brush cutters, mowers, concrete mixers.
- Furniture & Fittings Desks, chairs, display systems
- Office Equipment: Computers, monitors, PABX, Projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful life
- Asset Condition
- Residual Value
- Gross replacement cost.

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

Library Books

Council's Library Books: Books, Publication Reference Materials CD's & DVD's

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

Pittwater Council

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

Note 27. Fair Value Measurement

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful life
- Asset Condition
- Residual Value
- Gross replacement cost.

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

Investment Properties

Pittwater Council currently holds one investment property at 9 Vuko Place, Warriewood

Council obtains an independent valuation of its investment property on an annual basis and at the end of each reporting period the financial statements reflects the most up to date valuation.

The best evidence of Fair Value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Expected future rental income generated from the property based on a discounted cash flow.

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs and minimising unobservable inputs namely Level 3 inputs (based on the per square metres).

The income approach is used to value the investment properties. It was valued on the 30th of June 2014 by Scott Fullerton FAPI, Certified Practicing Valuer, and Registered Valuer No 2144.

Pittwater Council

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

Note 27. Fair Value Measurement

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

Infrastructure, Property, Plant & Equipment

Infrastructure – Roads

This asset class comprises the Road Carriageway, Bus Shelters, Car parks, Guardrails, Kerb and Guttering, Retaining walls, Suburb Markers, and Traffic Facilities

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's pavement Management System (PMS) contains detailed dimensions and specification for all Council roads. Valuations for the road carriageway, comprising surface, pavement and formation were based on calculations carried out in 2010 utilising the in house SMEG Asset management system for detailed pavement information residing in Council's Pavement Management System -

Council fair values, road infrastructure assets using, Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System.

The level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Works Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful life and residual value
- Asset Condition
- Remaining Life of Carriageway
- Gross replacement cost.

The 'Cost Approach' is used to value roads assets. There were no changes in valuation technique from prior year.

Pittwater Council

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

Note 27. Fair Value Measurement

Infrastructure - Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council Pavement Management Systems (PMS) contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths, (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Remaining useful life
- Gross replacement cost.

The 'Cost Approach' is used to value footpaths... There has been no change to the valuation during the reporting period.

Infrastructure –Roads Retaining Walls

Retaining walls are structures designed to restrain soil to unnatural slopes. They are used to bound soils between two different elevations often in areas of terrain possessing undesirable slopes or in areas where the landscape needs to be shaped severely and engineered for more specific purposes like roadway and overpasses.

Council fair values, retaining walls (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost
- Remaining useful life

Pittwater Council

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

Note 27. Fair Value Measurement

The 'Cost Approach' is used to value retaining walls. There has been no change to the valuation during the reporting period.

Infrastructure –Kerb & Guttering

Kerb & Guttering (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost
- Remaining useful life

The 'Cost Approach' is used to value kerb & guttering. The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2), other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the Council fair values.

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

Infrastructure –Car Park

Council Car Parks (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition

Pittwater Council

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

Note 27. Fair Value Measurement

- Gross replacement cost
- Remaining useful life

The 'Cost Approach' is used to value car park... The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Infrastructure –Other infrastructure

Other infrastructure comprises: Traffic islands, Refuge Islands, Bus Shelters etc.

Council other infrastructure (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost
- Remaining useful life

The 'Cost Approach' is used to value other infrastructure assets. . The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

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

Pittwater Council

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

Note 27. Fair Value Measurement

Infrastructure, - Stormwater Drainage

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls and various type of water quality device used to collect, store and remove stormwater.

Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual value
- Asset Condition
- Gross replacement cost.

The 'Cost Approach' is used to value drainage assets... There has been no change to the valuation during the reporting period.

Property: - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2012) using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal

The unobservable Level 3 inputs used include:

- Rate per square Metre
- Description of Land

Pittwater Council

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

Note 27. Fair Value Measurement

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period

Property - Community Land

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979) This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to Community Land the Division of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group; the Division has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Council fair values community land using unbearable Level 3 inputs based on inputs on either the UCV(Unimproved Capital Value) provided by the valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Market Approach' is used to value Community land. There has been no change to the valuation process during the reporting period

Land Improvements

Council's Land improvements incorporates: Land reserves, Wetlands, Gardens, Major Earthworks, Grass/turf mulch

Council carries fair values of land reserves using level 3 inputs.

Pittwater Council

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

Note 27. Fair Value Measurement

The unobservable Level 3 inputs used include:

- Gross replacement cost
- Asset Condition
- Residual value
- Remaining useful life

The cost approach is used to value the land improvements. There has been no change to the valuation process during the reporting period

Property- Buildings (Specialised and non-Specialised)

Council Buildings incorporates Libraries, Public Amenities, Sporting Club Houses, Kiosks and Amenities, Depot Buildings and workshops, Community Centres, Rural Fire Service Buildings and the Council Tourist Caravan Park.

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer, Scott Fullerton using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected and unit although rates based on square meters could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been no change to the valuation process during the reporting period

Pittwater Council

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

Note 27. Fair Value Measurement

Other Structures:

Council's other structures incorporates the following classes of assets;

- Significant single assets such as playgrounds, floodlighting system irrigation Systems, rock pools, sea walls, tennis courts, tennis shelters, artificial turf playing surfaces etc. and
- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are under taken by Council Staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Residual value

The "Cost Approach" is used to value other structures. There has been no change to the valuation process during the reporting period

Other Assets:

Council's Other Assets comprises bush reserves, solar panel systems, irrigation systems, accessible shelters signage etc. Council carries fair values of other assets using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Asset Condition
- Residual value
- Useful life

Pittwater Council

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

Note 27. Fair Value Measurement

The Cost Approach is used to value other assets. There has been no change to the valuation process during the reporting period

5. Significant unobservable valuation inputs used (for Level3 asset classes) and their relationship to fair value.

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

Investment Properties

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Investment Property	1,840	Level 3	Income Per Square Metre Rent Yield	\$ 145,000 p.a \$111.36 per Sqm 7%-7.5%	Any decrease or increase in the income stream or per sq.m rate will have significant impact on the fair value of investment property.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

I,PP&E

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Observable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	4,787	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value	Varies significantly from asset to asset 5-10 years 0% -20%	Any change in the gross replacement cost , asset condition or remaining useful life or residual value, and conditions will increase or decrease the fair value of the Plant & Equipment
Office Equipment	1,900	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value	Varies significantly from asset to asset 5-10 years 0% -10%	Any change in the gross replacement cost , asset condition or remaining useful life or residual value, and conditions will increase or decrease the fair value of Office Equipment
Furniture & Fittings	491	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value	Varies significantly from asset to asset 5-10 years 0% -10%	Any change in the gross replacement cost , asset condition or remaining useful life or residual value, and conditions will increase or decrease the fair value Furniture Fittings
Plant & Equipment under finance lease	126	Level 3	Gross Replacement Cost Interest rate	Varies significantly from asset to asset 8%-12%	Any change in the gross replacement cost , and interest rates will increase or decrease the fair value of the plant and equipment under lease
Library Books	563	Level 3	Gross Replacement Cost Asset condition Remaining useful life of asset Residual value	Varies significantly from asset to asset Poor to Excellent 5-15 years 0-10%	Any change in the gross replacement cost , asset condition or remaining useful life or residual value, and conditions will increase or decrease the fair value of Library Books

Pittwater Council

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

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Operational Land	51,055	Level 3	Price per square metre	\$150 to \$2500 per Square metre	The rate per square metre changes will increase or decrease the fair value of the Operational Land
Community Land	583,741	Level 3	Average Unit rate based on Unimproved capital value (UCV) per square metre	\$4-\$3000 per Square metre	Any change in the average unimproved capital value will increase or decrease the fair value of the Community Land
Land Improvements	5,76	Level 3	Gross Replacement Cost Remaining useful life Residual value Asset Condition	Varies significantly from asset to asset 25-100 years 40%-80% Very poor to excellent	Any change in the gross replacement cost, asset condition, remaining useful life and residual value, will increase or decrease the fair value of the land improvements
Buildings Specialised	24,211	Level 3	Gross Replacement Cost Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-100 years 0%-80%	Any changes in the gross replacement cost, condition, useful life and residual value will increase or decrease the fair value of the Buildings
Building non Specialised	52,209	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-100 years 0%-80%	Any changes in the gross replacement cost, condition, useful life and residual value will increase or decrease the fair value of the Building non specialised
Other Structures	2,084	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-50 years 0%-40%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increasing or decrease the fair value of other structures.

Pittwater Council

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

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Roads	97,730	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-50 years 0%-100%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of roads.
Footpaths	14,615	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-50 years 0%-40%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of footpaths.
Retaining Walls	13,730	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-100 years 0%-40%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of retaining walls
Kerb & Guttering	55,539	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-100 years 0%-40%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of Kerb & Guttering
Car Parks	11,241	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-100 years 0%-40%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of Car Parks

Pittwater Council

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

Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Other infrastructure Assets	3,004	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-80 years 0%-40%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of Other infrastructure
Stormwater Drainage	99,863	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to excellent 2-100 years 0%-50%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of stormwater drainage assets
Other Assets	20,235	Level 3	Gross Replacement Cost Asset Condition Remaining Useful Life of asset Residual Value	Varies significantly from asset to asset Very poor to Excellent 2-100 years 0%-40%	Any change in the gross replacement cost, pattern of consumption, residual value or components, asset condition, will increase or decrease the fair value of other assets

6. The Valuation Process for Level 3 Fair Value Measurements

Fair value Hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurement by level of input, using the following hierarchy;

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 – Unobservable inputs for asset or liability

Pittwater Council

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

Note 27. Fair Value Measurement

Fair Value- Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

‘Cost Approach’: A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach: A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Level 2 valuation process for some asset classes where the basis was Cost Approach under level 2 input which were determined based on, whereby maximising observable inputs and minimising unobservable inputs as below;

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach, The inputs used for this technique were

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

Pittwater Council

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

Note 27. Fair Value Measurement

(2). Transfers between hierarchy

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period. During the reporting period there were no transfers between levels of hierarchy

(3). Highest and best use

All of Council's non-financial assets are considered to being utilised for their highest and best use was established in consideration the criteria of physical possibility, legal permissibility, financial feasibility and maximum profitability. Implied within these criteria is the recognition of the contribution of that specific use to community environment or t community development goals.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 28. Financial Review

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2014	2013	2012	2011	2010
Inflows:					
Rates & Annual Charges Revenue	49,070	46,451	43,568	41,399	39,691
User Charges Revenue	15,613	14,782	13,813	12,860	12,267
Interest & Investment Revenue (Losses)	1,508	1,867	1,911	1,683	1,501
Grants Income - Operating & Capital	4,092	5,132	5,624	4,906	4,094
Total Income from Continuing Operations	77,084	85,574	78,583	69,980	62,988
Sale Proceeds from I,PP&E	1,434	1,791	1,190	1,094	1,392
New Loan Borrowings & Advances	3,000	6,500	2,400	-	-
Outflows:					
Employee Benefits & On-cost Expenses	28,020	27,177	26,171	24,879	23,045
Borrowing Costs	868	683	487	544	604
Materials & Contracts Expenses	17,127	15,911	16,501	15,331	13,848
Total Expenses from Continuing Operations	72,339	69,551	68,038	63,814	59,030
Total Cash purchases of I,PP&E	21,417	17,498	14,441	9,230	8,706
Total Loan Repayments (incl. Finance Leases)	1,335	985	881	825	1,002
Operating Surplus/(Deficit) (excl. Capital Income)	872	2,407	1,106	669	2,128
Financial Position Figures	2014	2013	2012	2011	2010
Current Assets	35,227	40,300	38,735	33,789	38,846
Current Liabilities	15,244	14,354	14,725	10,863	10,094
Net Current Assets	19,983	25,946	24,010	22,926	28,752
Available Working Capital (Unrestricted Net Current Assets)	4,978	4,834	4,169	7,618	7,379
Cash & Investments - Unrestricted	7,086	5,568	6,562	2,151	1,811
Cash & Investments - Internal Restrictions	11,456	16,586	13,079	12,426	11,575
Cash & Investments - Total	31,321	35,585	34,222	24,461	19,771
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	15,295	13,630	8,115	6,596	7,421
Total Value of I,PP&E (excl. Land & Earthworks)	575,865	554,488	528,724	513,635	507,546
Total Accumulated Depreciation	162,050	153,608	146,745	139,133	133,810
Indicative Remaining Useful Life (as a % of GBV)	72%	72%	72%	73%	74%

Source: Published audited financial statements of Council (current year & prior year)

Pittwater Council

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

Note 29. Council Information & Contact Details

Principal Place of Business:

Unit 13, 5 Vuko Place
Warriewood NSW 2102

Contact Details
Mailing Address:

PO Box 882
Mona Vale NSW 1660

Opening Hours:

Monday to Thursdays from 8:00am to 5:30 pm
Friday from 8:00 am to 5:00 pm
Closed on Weekends and public holidays

Telephone: 02 9970 1111

Facsimile: 02 9970 7150

Internet: www.pittwater.nsw.gov.au

Email: pittwater_council@pittwater.nsw.gov.au

Officers
GENERAL MANAGER

Mark Ferguson

RESPONSIBLE ACCOUNTING OFFICER

Mark Jones

PUBLIC OFFICER

Warwick Lawrence

AUDITORS

Hill Rogers Spencer Steer
Level 1 Chifley Square
Sydney NSW 2000

Elected Members
MAYOR

Jacqueline Townsend

COUNCILLORS

Cr Ian White
Cr Bob Grace
Cr Kay Millar
Cr Kylie Ferguson
Cr Sue Young
Cr Selena Griffith
Cr Julie Hegarty
Cr Alex McTaggart

Other Information

ABN: 61 340 837 871

PITTWATER COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

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

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

Assurance Partners

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Sydney NSW 2001

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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 19th day of August 2014

19 August 2014

The Mayor
Pittwater Council
5 Vuko Place
WARRIEWOOD NSW 2102

Mayor,

Audit Report - Year Ended 30 June 2014

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

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

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

I. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$4.745 million as compared with \$16.023 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.

	2014 \$'000	% of Total	2013 \$'000	% of Total	Increase (Decrease) \$'000
Revenues before capital items					
Rates & annual charges	49,070	67%	46,451	65%	2,619
User charges, fees & other revenues	19,794	27%	19,451	27%	343
Grants & contributions provided for operating purposes	2,839	4%	4,189	6%	(1,350)
Interest & investment revenue	1,508	2%	1,867	3%	(359)
	73,211	100%	71,958	100%	1,253
Expenses					
Employee benefits & costs	28,020	39%	27,177	39%	843
Materials, contracts & other expenses	34,549	48%	33,288	48%	1,261
Depreciation, amortisation & impairment	8,902	12%	8,403	12%	499
Borrowing costs	868	1%	683	1%	185
	72,339	100%	69,551	100%	2,788
Surplus (Deficit) before capital items	872		2,407		(1,535)
Grants & contributions provided for capital purposes	3,873		13,616		(9,743)
Net Surplus (Deficit) for the year	4,745		16,023		(11,278)
Performance Measures	2014		2013		
Operating Performance	0.54%		1.42%		
Own Source Operating Revenue	91.24%		78.85%		

The above table shows an overall decrease of \$11.278 million from the previous year and is largely attributable to a reduction in capital contributions for roads and bridges which contributed \$892,000 to the operating result for the year, compared to \$11.060 million in the previous year.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was 0.54% and exceeded the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 91.24% and exceeded the benchmark of 60%.

1.2 Funding Result

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

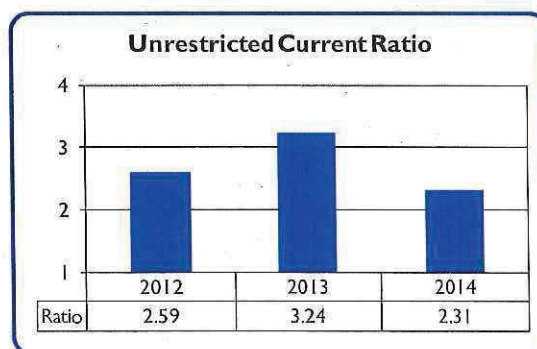
	2014	2013
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	4,745	16,023
Add back non funding items:-		
- Depreciation, amortisation & impairment	8,902	8,403
- Book value of non-current assets sold	1,163	1,160
- (Gain)/Loss of fair value to investment properties	(40)	(50)
- (Surplus)/Deficit in joint ventures	(167)	(681)
	14,603	24,855
New loan borrowings	3,000	6,500
Transfers from externally restricted assets (net)	710	1,157
Transfers from internal reserves (net)	5,130	0
Distributions from joint ventures	318	359
Net Changes in current/non-current assets & liabilities	0	644
	23,761	33,515
Funds were applied to:-		
Purchase and construction of assets	(22,633)	(28,323)
Principal repaid on loans	(1,179)	(957)
Finance lease instalments	(156)	(28)
Transfers to internal reserves (net)	0	(3,507)
Net Changes in current/non current assets & liabilities	(122)	0
	(24,090)	(32,815)
Increase/(Decrease) in Available Working Capital	(329)	700

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 \$12.599 million representing a factor of 2.31 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.978 million as detailed below;

	2014	2013	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	19,983	25,946	(5,963)
Add: Payables & provisions not expected to be realised in the next 12 months included above	5,655	6,162	(507)
Adjusted Net Current Assets	25,638	32,108	(6,470)
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,284	1,340	(56)
- Employees leave entitlements	2,551	2,036	515
- Deposits & retention moneys	0	158	(158)
Less: Externally restricted assets	(13,039)	(13,749)	710
Less: Internally restricted assets	(11,456)	(16,586)	5,130
Available Working Capital as at 30 June	4,978	5,307	(329)

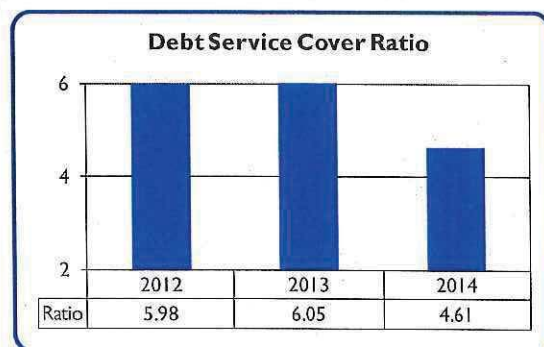
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

2.3 Debt

After repaying principal and interest of \$2.203M and taking up new borrowings of \$3M, total debt as at 30 June 2014 stood at \$15.295M (2013 - \$13.630M).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 4.61 to 1.



2.4 Summary

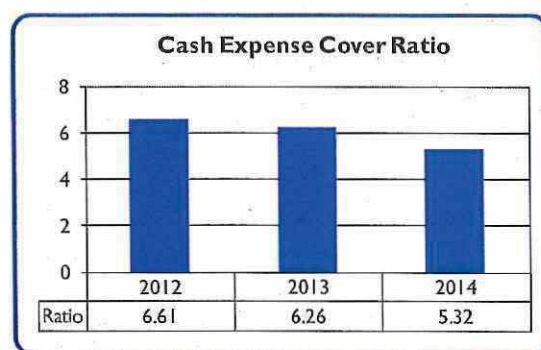
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

3. CASH ASSETS

3.1 Cash Expense Cover Ratio

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

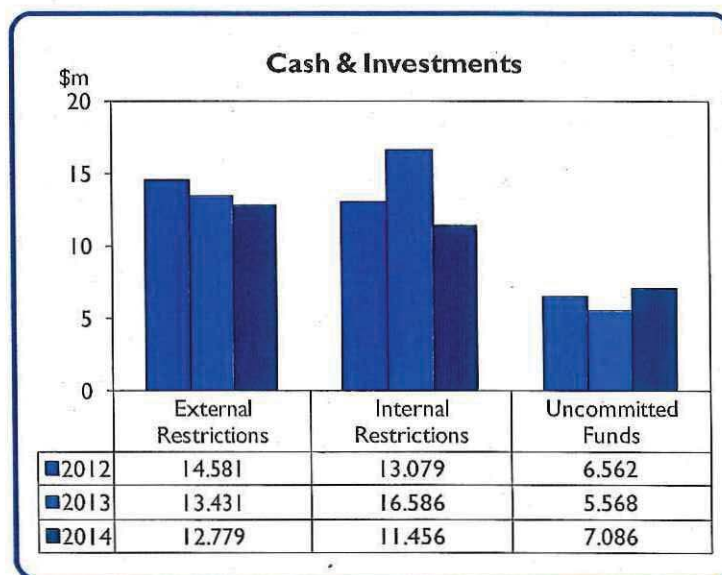
For 2014, this ratio stood at 5.32 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$31.321 million at 30 June 2014 as compared with \$35.585 million in 2013 and \$34.222 million in 2012.

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



Externally restricted cash and investments are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$8.413 million), domestic waste and stormwater management charges (\$2.835 million) and specific purpose grants and contributions (\$1.531 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 \$11.456 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$7.086 million, which is available to provide liquidity for day to day operations and forms the basis of Council's sound financial position.

3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by \$486,000 to \$4.821 million at the close of the year.

In addition to operating activities which contributed net cash of \$13.736 million were the proceeds from the sale of investment securities (\$90 million), distributions received from joint ventures (\$318,000), proceeds from borrowings (\$3 million) and sale of assets (\$1.434 million). Cash outflows other than operating activities were used to purchase investment securities (\$85.25 million), repay principal on loans and finance leases (\$1.1335 million) and to purchase and construct assets (\$21.417 million).

4. RECEIVABLES

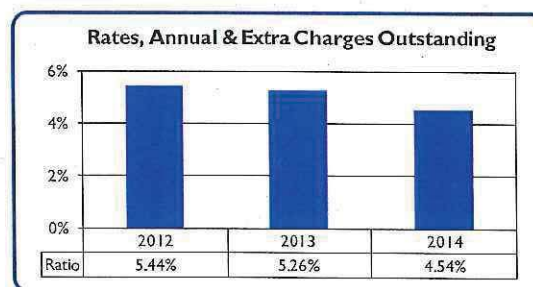
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$49.07 million and represented 64% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$51.261 million of which \$49.195 million (96%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$2.355 million at the end of the year and represented 4.54% of those receivables.



4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$3.023 million and included amounts due from other levels of government of \$1.397 million, user charges and fees amounting to \$731,000 and parking fines of \$656,000. Those considered to be uncertain of collection have been provided for as doubtful debts, amounting to \$594,000, of which \$483,000 related to unpaid parking fines.

Hill Rogers
Spencer Steer

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$7.843 million. Internally restricted cash and investments of \$1.569 million was held representing 20% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

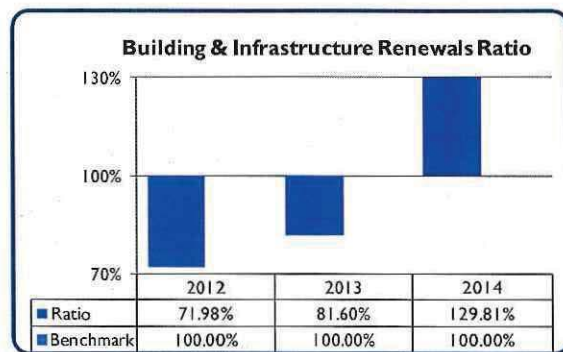
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$558,000 and were fully funded by internally restricted cash and investments.

6. BUILDING AND INFRASTRUCTURE RENEWALS

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

Special Schedule No. 7 discloses that asset renewals for 2014 represented 130% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTERS

Audit management letters addressing the findings from our interim audits with suggestions on possible ways to strengthen and/or improve procedures, were issued in March and July this year. Management have responded to our findings with their comments and proposed actions.

8. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit and commend management for the early completion and presentation of the financial statements.

Yours faithfully,

HILL ROGERS SPENCER STEER


GARY MOTTAU
Partner

Pittwater Council

SPECIAL SCHEDULES
for the year ended 30 June 2014



**"To be a vibrant sustainable community of
connected villages inspired by bush, beach and water"**

Pittwater Council

Special Schedules

for the financial year ended 30 June 2014

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 Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2014)	5
- Special Schedule No. 8	Financial Projections	9
- Special Schedule No. 9	Permissible Income Calculation	10

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Pittwater Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	10,641	1,360	265	(9,016)
Administration	14,702	3,069	-	(11,633)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,882	-	163	(1,719)
Beach Control	86	-	-	(86)
Enforcement of Local Govt. Regulations	2,587	-	-	(2,587)
Animal Control	66	30	-	(36)
Other	-	-	-	-
Total Public Order & Safety	4,621	30	163	(4,428)
Health	292	135	-	(157)
Environment				
Noxious Plants and Insect/Vermin Control	75	70	-	(5)
Other Environmental Protection	3,020	175	49	(2,796)
Solid Waste Management	10,542	11,825	907	2,190
Street Cleaning	1,444	-	282	(1,162)
Drainage	573	-	-	(573)
Stormwater Management	-	1	-	1
Total Environment	15,654	12,071	1,238	(2,345)
Community Services and Education				
Administration & Education	1,366	209	-	(1,157)
Social Protection (Welfare)	-	33	-	33
Aged Persons and Disabled	-	405	-	405
Children's Services	1,016	870	-	(146)
Total Community Services & Education	2,382	1,517	-	(865)
Housing and Community Amenities				
Public Cemeteries	-	798	-	798
Public Conveniences	292	-	-	(292)
Street Lighting	1,055	146	-	(909)
Town Planning	4,259	1,640	-	(2,619)
Other Community Amenities	380	-	-	(380)
Total Housing and Community Amenities	5,986	2,584	-	(3,402)
Water Supplies	37	25	-	(12)
Sewerage Services	-	-	-	-

Pittwater Council

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,864	211	74	(1,579)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,206	558	126	(522)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	1	-	1
Sporting Grounds and Venues	866	351	-	(515)
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	4,083	139	324	(3,620)
Other Sport and Recreation	1,883	1,609	949	675
Total Recreation and Culture	9,902	2,869	1,473	(5,560)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	-	-	-
Transport and Communication				
Urban Roads (UR) - Local	1,206	1,201	661	656
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	10	-	-	(10)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	63	158	-	95
Footpaths	714	2	73	(639)
Aerodromes	-	-	-	-
Other Transport & Communication	1,240	-	-	(1,240)
Total Transport and Communication	3,233	1,361	734	(1,138)
Economic Affairs				
Camping Areas & Caravan Parks	2,435	5,114	-	2,679
Other Economic Affairs	2,454	3,708	-	1,254
Total Economic Affairs	4,889	8,822	-	3,933
Totals – Functions	72,339	33,843	3,873	(34,623)
General Purpose Revenues ⁽²⁾		39,201		39,201
Share of interests - joint ventures & associates using the equity method	-	167		167
NET OPERATING RESULT ⁽¹⁾	72,339	73,211	3,873	4,745

(1) As reported in the Income Statement

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

Pittwater Council

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

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Financial Institutions	1,184	12,290	13,474	3,000	1,179	-	-	852	1,284	14,011	15,295
Total Loans	1,184	12,290	13,474	3,000	1,179	-	-	852	1,284	14,011	15,295
Other Long Term Debt											
Finance Leases	156	-	156	-	156	-	-	16	-	-	-
Total Long Term Debt	156	-	156	-	156	-	-	16	-	-	-
Total Debt	1,340	12,290	13,630	3,000	1,335	-	-	868	1,284	14,011	15,295

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).

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices/Administration	-	505	359	19,196	0%	99%	1%	0%	0%
	Council Works Depot	-	80	171	3,159	0%	100%	0%	0%	0%
	Council Public Halls	813	150	411	4,106	11%	40%	0%	49%	0%
	Libraries		140	91	5,852	0%	100%	0%	0%	0%
	Cultural Facilities	300	55	127	1,441	0%	0%	41%	59%	0%
	Other buildings	2,325	830	2,282	23,859	21%	21%	35%	21%	1%
	Specialised Buildings	3,670	630	772	15,618	10%	16%	13%	62%	0%
	sub total	7,108	2,390	4,213	73,231	9.6%	50.8%	15.2%	24.0%	0.3%
Land Improvements	Land Improvements									
Other Structures	Other Structures	219	50	183	2,084	5%	16%	47%	23%	9%
	sub total	219	50	183	2,084	5.0%	16.0%	47.0%	23.0%	9.0%
Roads										
	Sealed Roads Surface	2,068	1,300	1,529	97,730	13%	45%	35%	6%	1%
	Sealed Roads Structure	771	320	357	13,730	0%	23%	58%	18%	1%
	Footpaths	273	320	277	14,615	52%	31%	10%	6%	1%
	Kerb and Gutter	1,124	390	461	55,539	14%	48%	32%	5%	1%
	Other	344	580	1,179	14,244	13%	45%	35%	6%	1%
	sub total	4,580	2,910	3,803	195,858	15.3%	43.3%	33.9%	6.6%	1.0%

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

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Drainage Network	4,091	1,390	520	99,683	31%	38%	21%	7%	4%
	sub total	4,091	1,390	520	99,683	30.9%	38.2%	20.6%	6.8%	3.7%
Other Infrastructure Assets										
	Other open space assets	1,961	255	246	3,189	0%	15%	29%	52%	4%
	sub total	1,961	255	246	3,189	0.0%	15.0%	29.0%	52.0%	4.0%
TOTAL - ALL ASSETS		17,959	6,995	8,965	374,045	18.1%	43.0%	26.7%	10.5%	1.7%

Notes:

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

(5). Infrastructure Asset Condition Assessment "Key"

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

Pittwater Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 20132012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	6,427	129.16%	81.60%	72.00%
Depreciation, Amortisation & Impairment	4,976			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	17,959	0.05	0.22	0.23
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	379,522			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	8,965	1.28	0.73	0.92
Required Asset Maintenance	6,995			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	21,470	2.41	3.33	1.62
Annual Depreciation	8,902			

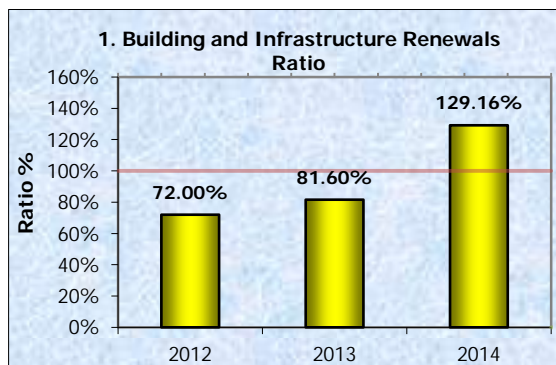
Notes

⁽¹⁾ 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.

⁽²⁾ Written down value

Pittwater Council

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



Minimum 100.00%

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

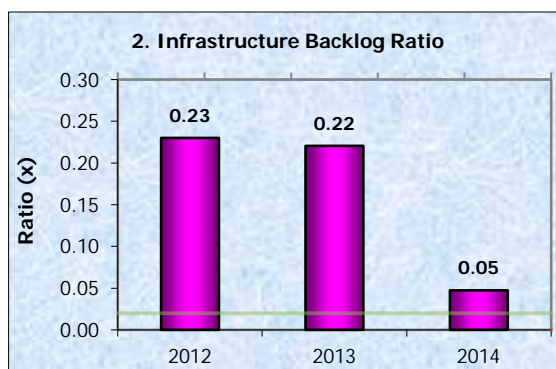
Purpose of Asset Renewals Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 129.16%

Council's Building and Infrastructure Renewal Ratio has steadily increased over the review period due to Council's focus on infrastructure renewal including the injection of funds from Council's Special Rate Variation (2010 to 2013) and additional loan borrowings. With continual focus it is anticipated that Council's ratio will be within +/- 10% of the TCorp Benchmark.



Maximum 0.02

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

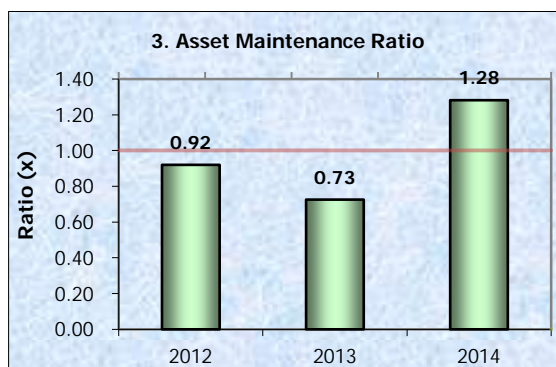
Purpose of Infrastructure Backlog Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 0.05 x

Council acknowledges it's Infrastructure Backlog ratio is below TCorp's benchmark. Council is continually focusing of asset expenditure but like all other NSW Council's faces a large impost associated with asset backlogs and maintenance. Council will continue to focus on this area of expenditure.



Minimum 1.00

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

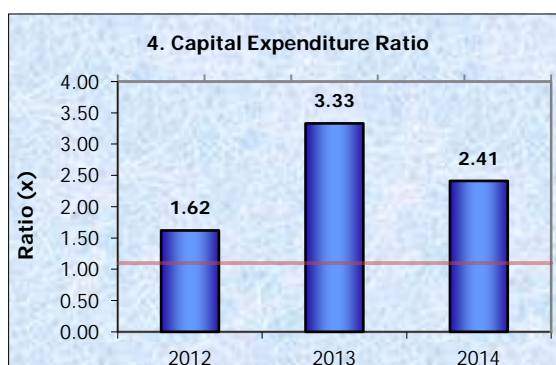
Purpose of Asset Maintenance Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 1.28 x

Council acknowledges it's Asset Maintenance ratio is below TCorp's benchmark. Council is continually focusing of asset expenditure but like all other NSW Council's faces a large impost associated with asset backlogs and maintenance. Council will continue to focus on this area of expenditure.



Minimum 1.10

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

Purpose of Capital Expenditure Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 2.41 x

Council's spend on Capital expenditure while in excess of TCorps benchmark continues to be focused on new assets rather than the renewal of assets due to the land release in Warriewood Valley. Council is aware of this issue and where financially prudent continues to focus on the renewal of assets as well as its obligations in the Warriewood Land release.

Pittwater Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	77,084	84,671	94,597	101,181	100,682	96,991	95,023	97,033	103,372	99,565	102,353
Expenses from continuing operations	72,339	72,296	77,754	80,465	82,113	84,127	86,717	89,384	92,157	94,817	97,471
Operating Result from Continuing Operations	4,745	12,375	16,843	20,716	18,569	12,864	8,306	7,649	11,215	4,748	4,882
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	8,176	7,112	7,410	22,879	15,690	12,603	10,147	10,965	8,546	1,620	1,665
Replacement/Refurbishment of Existing Assets	1,050	9,688	11,575	8,135	8,258	11,009	11,015	11,026	10,968	11,097	11,408
Total Capital Budget	9,226	16,800	18,985	31,014	23,948	23,612	21,162	21,991	19,514	12,717	13,073
Funded by:											
– Loans	3,000	1,500	7,600	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
– Asset sales	-	410	3,320	500	500	-	-	-	-	-	-
– Reserves	-	-	-	-	-	-	-	-	-	-	-
– Grants/Contributions	3,990	9,216	1,260	23,385	16,202	12,624	10,183	11,016	8,628	1,722	1,770
– Recurrent revenue	11,694	5,674	6,805	5,629	5,746	9,488	9,479	9,475	9,386	9,495	9,803
– Other	-	-	-	-	-	-	-	-	-	-	-
	18,684	16,800	18,985	31,014	23,948	23,612	21,162	21,991	19,514	12,717	13,073

Notes:

(1) From 13/14 Income Statement.

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

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

Pittwater Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	35,306	37,571
Plus or minus Adjustments ⁽²⁾	b	161	165
Notional General Income	c	35,467	37,736
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	5.90%	0.00%
or Rate peg percentage	e	3.40%	2.30%
less expiring Special variation amount	g		
plus Special variation amount	$h = c \times d$	2,092.55	-
or plus Rate peg amount	$i = c \times e$	-	868
or plus Crown land adjustment and rate peg amount	$j = c \times f$	-	-
sub-total	$k = (c+g+h+i+j)$	37,560	38,604
plus (or minus) last year's Carry Forward Total	l		(0)
less Valuation Objections claimed in the previous year	m		(11)
sub-total	$n = (l + m)$	-	(11)
Total Permissible income	$o = k + n$	37,560	38,592
less Notional General Income Yield	p	37,571	38,646
Catch-up or (excess) result	$q = o - p$	(11)	(54)
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	11	54
less Unused catch-up ⁽⁵⁾	s		
Carry forward to next year	$t = q + r - s$	(0)	0

Notes

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

PITTWATER COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

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

Responsibility of Council for the Financial Statements

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

Auditors' Responsibility

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

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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 19th day of August 2014