

GENERAL PURPOSE & SPECIAL PURPOSE FINANCIAL REPORTS

FOR THE YEAR ENDED
30 JUNE 2015



Pittwater Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015



**“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 2015

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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 13 October 2015. 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 2015

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 and Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2015.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 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 and position,
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents and must be presented at a Council meeting between 7 days and 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 14/15 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 2015

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 06 October 2015.



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 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
<i>Revenue:</i>				
51,155	Rates & Annual Charges	3a	51,152	49,070
15,662	User Charges & Fees	3b	17,133	15,613
1,438	Interest & Investment Revenue	3c	1,323	1,508
3,271	Other Revenues	3d	3,871	3,743
4,316	Grants & Contributions provided for Operating Purposes	3e,f	4,411	2,839 ²
7,288	Grants & Contributions provided for Capital Purposes	3e,f	12,830	3,873
<i>Other Income:</i>				
344	Net gains from the disposal of assets	5	248	271
816	Net Share of interests in Joint Ventures & Associates using the equity method	19	1,372	304
84,290	Total Income from Continuing Operations		92,340	77,221
Expenses from Continuing Operations				
29,508	Employee Benefits & On-Costs	4a	28,578	28,020
950	Borrowing Costs	4b	936	868
16,791	Materials & Contracts	4c	19,642	17,127
9,108	Depreciation & Amortisation	4d	8,974	8,902
18,584	Other Expenses	4e	19,669	17,559
74,941	Total Expenses from Continuing Operations		77,799	72,476
9,349	Operating Result from Continuing Operations		14,541	4,745
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
9,349	Net Operating Result for the Year		14,541	4,745
9,349	Net Operating Result attributable to Council		14,541	4,745
2,061	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		1,711	872

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

Pittwater Council

Statement of Comprehensive Income

for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		14,541	4,745
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Nil			
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Revaluation decrease in operational Land	20b (ii)	(454)	-
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		(454)	-
Total Other Comprehensive Income for the year		(454)	-
Total Comprehensive Income for the Year		14,087	4,745
Total Comprehensive Income attributable to Council		14,087	4,745
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Pittwater Council

Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	5,503	4,821
Investments	6b	30,500	26,500
Receivables	7	5,057	3,807
Inventories	8	125	51
Other	8	719	48
Total Current Assets		41,904	35,227
Non-Current Assets			
Receivables	7	1,065	977
Infrastructure, Property, Plant & Equipment	9	1,058,313	1,048,625
Investments accounted for using the equity method	19	6,756	5,661
Investment Property	14	1,840	1,840
Intangible Assets	25	2,672	2,812
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		1,070,646	1,059,915
TOTAL ASSETS		1,112,550	1,095,142
LIABILITIES			
Current Liabilities			
Payables	10	9,127	6,312
Borrowings	10	1,488	1,284
Provisions	10	7,787	7,648
Total Current Liabilities		18,402	15,244
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	14,174	14,011
Provisions	10	195	195
Total Non-Current Liabilities		14,369	14,206
TOTAL LIABILITIES		32,771	29,450
Net Assets		1,079,779	1,065,692
EQUITY			
Retained Earnings	20	1,029,751	1,015,210
Revaluation Reserves	20	50,028	50,482
Council Equity Interest		1,079,779	1,065,692
Total Equity		1,079,779	1,065,692

Pittwater Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		1,015,210	50,482	1,065,692	-	1,065,692
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		1,015,210	50,482	1,065,692	-	1,065,692
c. Net Operating Result for the Year		14,541	-	14,541	-	14,541
d. Other Comprehensive Income						
- Operational land revaluation decrease	20b (ii)	-	(454)	(454)	-	(454)
Other Comprehensive Income		-	(454)	(454)	-	(454)
Total Comprehensive Income (c&d)		14,541	(454)	14,087	-	14,087
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,029,751	50,028	1,079,779	-	1,079,779

\$ '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)	(977)	-	(977)	-	(977)
Revised Opening Balance (as at 1/7/13)		1,010,465	50,482	1,060,947	-	1,060,947
c. Net Operating Result for the Year		4,745	-	4,745	-	4,745
Total Comprehensive Income (c&d)		4,745	-	4,745	-	4,745
Equity - Balance at end of the reporting period		1,015,210	50,482	1,065,692	-	1,065,692

Pittwater Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
51,287	Rates & Annual Charges		51,107	49,195
15,359	User Charges & Fees		18,077	16,958
1,438	Investment & Interest Revenue Received		1,331	1,773
11,301	Grants & Contributions		16,509	6,539
-	Bonds, Deposits & Retention amounts received		891	917
3,600	Other		6,839	7,656
Payments:				
(30,129)	Employee Benefits & On-Costs		(28,469)	(28,230)
(16,251)	Materials & Contracts		(19,458)	(20,759)
(950)	Borrowing Costs		(936)	(868)
-	Bonds, Deposits & Retention amounts refunded		(894)	(832)
(17,779)	Other		(22,018)	(18,476)
17,876	Net Cash provided (or used in) Operating Activities	11b	22,979	13,873
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		76,750	90,000
1,797	Sale of Infrastructure, Property, Plant & Equipment		1,233	1,297
-	Distributions Received from Joint Ventures & Associates		277	318
Payments:				
-	Purchase of Investment Securities		(80,750)	(85,250)
(21,494)	Purchase of Infrastructure, Property, Plant & Equipment		(20,174)	(21,417)
(19,697)	Net Cash provided (or used in) Investing Activities		(22,664)	(15,052)
Cash Flows from Financing Activities				
Receipts:				
1,500	Proceeds from Borrowings & Advances		1,650	3,000
Payments:				
(1,277)	Repayment of Borrowings & Advances		(1,283)	(1,179)
-	Repayment of Finance Lease Liabilities		-	(156)
223	Net Cash Flow provided (used in) Financing Activities		367	1,665
(1,598)	Net Increase/(Decrease) in Cash & Cash Equivalents		682	486
24,111	plus: Cash & Cash Equivalents - beginning of year	11a	4,821	4,335
22,513	Cash & Cash Equivalents - end of the year	11a	5,503	4,821
Additional Information:				
	plus: Investments on hand - end of year	6b	30,500	26,500
	Total Cash, Cash Equivalents & Investments		36,003	31,321

Please refer to Note 11 for additional cash flow information

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Pittwater Council has its principal business office at Unit 13, 5 Vuko Place Warriewood NSW 2102. Council is empowered by the New South Wales Local Government Act (LGA) and its Charter as specified in Section 8 of the Act. 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) & Regulations, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

Because AASBs are sector neutral, some standards either:

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

Accordingly in preparing these financial statements and accompanying notes, Council has been unable

to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & 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

There were no accounting standards that became mandatory this year which materially impacted on Council's financial statements.

(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 2014.

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

(v) Basis of Accounting

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

- (i) 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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

The Council has discontinued with the joint venture operation with Rural Fire Service effective from the 1st of July 2014 and the share of net assets was written off against the retained earnings as an adjustment from the period starting 01/07/2014. Total amount written off was \$ 977,000 being the share of equity held in the joint venture.

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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.

(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 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

Detailed information relating to the entities that Council Controls can be found at Note 19 (a).

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(ii) The Trust Fund

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

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

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

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

(iii) Joint Arrangements

Joint Operations (controlled assets & operations)

The council does not have any joint operations

Joint Ventures

The Council ceased the Joint venture arrangement it had with Rural Fire Service in managing the Rural Fire Service since 01/07/2014

(iv) Associates

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 another 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 Ventures.

Such entities are usually termed Associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in Associates can be found at Note 19 (a).

(v) County Councils

Council is not a member of any County Councils

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(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.

(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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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)

- **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 assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

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

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

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

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

Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000
Other Infrastructure	> \$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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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	20-30 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 (if 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.

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

(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 years period that reflects the term of the current contract of 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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

accounting treatment for Crown Reserves across both tiers of government.

(o) 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 in-house valuation based on a discounted cash flow analysis / 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 on the 30th June 2015.

(p) Impairment of assets

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

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

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

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

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

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for

possible reversal of the impairment at each reporting date.

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

(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.

(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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

(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.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Defined Benefit Plans

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

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Steveson Bsc.FIA, FIAA, 20th February 2013 and covers the period ended 30th June 2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 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 2015 was \$ 859,491.

The amount of additional contributions included in the total employer contribution advised above is \$ 411,975.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 881,945 as at 30 June 2015.

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 30/06/15.

(v) Self insurance

Council does not self insure.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

(x) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(y) 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 2015.

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.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

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 (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

Not applicable to Local Government per se;

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)

(z) Rounding of amounts

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

(aa) 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.

(ab) Disclaimer

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	5,783	1,438	1,625	6,613	6,426	10,778	(830)	(4,988)	(9,153)	-	533	1,142	7,037
Administration	4,185	7,031	3,069	2,202	3,025	14,702	1,983	4,006	(11,633)	1,921	21	73,866	78,049
Public Order & Safety	2,875	3,126	193	5,794	6,285	4,621	(2,919)	(3,159)	(4,428)	1	162	5,276	188
Health	111	83	135	221	300	292	(110)	(217)	(157)	-	-	1,191	51
Environment	13,414	15,919	13,309	18,300	20,556	15,654	(4,886)	(4,637)	(2,345)	393	399	3,590	2,480
Community Services & Education	4,599	797	1,517	4,684	3,293	2,382	(85)	(2,496)	(865)	159	904	-	-
Housing & Community Amenities	1,806	2,829	2,584	7,498	5,863	5,986	(5,692)	(3,034)	(3,402)	467	146	33,334	32,360
Water Supplies	28	-	25	28	20	37	-	(20)	(12)	-	1	-	-
Recreation & Culture	3,295	6,953	4,342	12,811	14,845	9,902	(9,516)	(7,892)	(5,560)	-	-	671,849	661,568
Transport & Communication	1,146	5,746	2,095	12,039	12,543	3,233	(10,893)	(6,797)	(1,138)	241	648	296,283	295,583
Economic Affairs	7,796	5,946	8,822	4,751	4,643	4,889	3,045	1,303	3,933	-	73	19,263	12,165
Total Functions & Activities	45,038	49,868	37,716	74,941	77,799	72,476	(29,903)	(27,931)	(34,760)	3,182	2,887	1,105,794	1,089,481
Share of gains/(losses) in Associates & (using the Equity Method)	816	1,372	304	-	-	-	816	1,372	304	-	-	6,756	5,661
General Purpose Income ¹	38,436	41,100	39,201	-	-	-	38,436	41,100	39,201	2,166	1,205	-	-
Operating Result from Continuing Operations	84,290	92,340	77,221	74,941	77,799	72,476	9,349	14,541	4,745	5,348	4,092	1,112,550	1,095,142

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 2015

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.

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 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		33,833	32,830
Farmland		35	34
Business		4,159	4,077
Total Ordinary Rates		38,027	36,941
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		12,599	11,590
Stormwater Management Services		526	539
Total Annual Charges		13,125	12,129
TOTAL RATES & ANNUAL CHARGES		51,152	49,070

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 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(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		185	211
Development Applications		767	697
Inspection Services		311	309
Section 149 Certificates (EPA Act)		251	255
Section 603 Certificates		117	129
Total Fees & Charges - Statutory/Regulatory		1,631	1,601
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Advertising Fees		214	171
Beach Parking		2,645	2,361
Caravan Park		6,209	5,472
Cemeteries		774	789
Child Care		-	372
Coastal Environmental Centre		170	209
Credit Card Recovery Fee		94	90
Film Permits		372	338
Golf Course		1,837	741
Lease Rentals		1,490	1,668
Leaseback Fees - Council Vehicles		441	419
Pittwater Rugby Park		241	178
Restoration Charges		391	634
Road Reserves		11	11
Other		613	559
Total Fees & Charges - Other		15,502	14,012
TOTAL USER CHARGES & FEES		17,133	15,613

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		144	160
- Interest earned on Investments (interest & coupon payment income)		1,179	1,348
TOTAL INTEREST & INVESTMENT REVENUE		1,323	1,508
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		144	160
General Council Cash & Investments		653	666
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		304	339
Other Externally Restricted Assets		112	114
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		110	229
Total Interest & Investment Revenue Recognised		1,323	1,508
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	40
Rental Income - Investment Properties	14	-	146
Fines - Parking		2,941	2,849
Fines - Other		32	26
Legal Fees Recovery - Rates & Charges (Extra Charges)		136	129
Commissions & Agency Fees		1	2
Insurance Claim Recoveries		263	163
Market Income		100	44
Pre Lodgement (Planning)		76	84
Animal Management		67	30
Other		255	230
TOTAL OTHER REVENUE		3,871	3,743

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,891	925	-	-
Pensioners' Rates Subsidies - General Component	275	280	-	-
Total General Purpose	2,166	1,205	-	-
¹ The Financial Assistance Grant was paid in full for this financial years where as it was paid in part in 13/14 and the year before. For 14/15 the grant was paid in advance for the whole year.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	126	122	-	-
Aged Care	58	59	-	-
Child Care	-	447	-	-
Community Centres / Services	2	(10)	-	-
Environmental Programs	306	251	435	1,354
Flood Works/Studies	178	6	1	50
Heritage & Cultural	2	1	-	-
Library	158	155	-	-
Street Lighting	185	146	-	-
Transport (Roads to Recovery)	-	-	287	217
Palm Beach Wharf	-	-	1,444	-
Other	-	-	-	89
Total Specific Purpose	1,015	1,177	2,167	1,710
Total Grants	3,181	2,382	2,167	1,710
Grant Revenue is attributable to:				
- Commonwealth Funding	2,292	1,718	287	-
- State Funding	824	654	1,852	217
- Other Funding	65	10	28	1,493
	3,181	2,382	2,167	1,710

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	34	10	9,689	874
S 94 Land dedications	-	-	442	-
Total Developer Contributions	34	10	10,131	874
Other Contributions:				
LIRS Subsidy -Bungan Lake Carpark	144	157	-	-
Ingleside Precinct Coordinator	115	109	-	-
Avalon Surf Life Savings Club Upgrade	-	-	-	781
Driving Range Plant & Equipment	-	-	-	45
Northern Beaches Flood Warning & Info Network	-	-	-	44
Kerb & Gutter	-	-	1	-
RMS Contributions (Regional Roads, Block Grant)	56	91	531	396
Sports Ground Contributions	75	90	-	-
Currawong Midholme	332	-	-	-
April 2015 Storm Damage	466	-	-	-
Other	8	-	-	23
Total Other Contributions	1,196	447	532	1,289
Total Contributions	1,230	457	10,663	2,163
TOTAL GRANTS & CONTRIBUTIONS	4,411	2,839	12,830	3,873

\$ '000	Actual 2015	Actual 2014
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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	9,944	11,086
add: Grants & contributions recognised in the current period but not yet spent:	7,282	2,371
less: Grants & contributions recognised in a previous reporting period now spent:	(3,183)	(3,513)
Net Increase (Decrease) in Restricted Assets during the Period	4,099	(1,142)
Unexpended and held as Restricted Assets	14,043	9,944
Comprising:		
- Specific Purpose Unexpended Grants	412	1,432
- Developer Contributions	13,514	8,413
- Other Contributions	117	99
	14,043	9,944

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		22,831	22,086
Travelling		7	11
Employee Leave Entitlements (ELE)		2,653	2,439
Superannuation		2,827	2,738
Workers' Compensation Insurance		540	880
Fringe Benefit Tax (FBT)		255	237
Training Costs (other than Salaries & Wages)		432	527
Other		22	15
Total Employee Costs		29,567	28,933
less: Capitalised Costs		(989)	(913)
TOTAL EMPLOYEE COSTS EXPENSED		28,578	28,020
Number of "Equivalent Full Time" Employees at year end		302	300
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		316	314
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		936	856
Charges relating to Finance Leases		-	12
Total Interest Bearing Liability Costs Expensed		936	868
(ii) Other Borrowing Costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		936	868

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		1,318	1,289
Contractor & Consultancy Costs			
- General		8,453	6,509
- Waste		5,942	5,424
- Plant Expenses		1,524	1,597
Auditors Remuneration ⁽¹⁾		58	60
Legal Expenses:			
- Legal Expenses: Planning & Development		713	557
- Legal Expenses: Other		622	427
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment ⁽²⁾		451	515
- Operating Lease Rentals: Contingent Rental ⁽²⁾		199	91
Other		570	859
Total Materials & Contracts		19,850	17,328
less: Capitalised Costs		(208)	(201)
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>19,642</u>	<u>17,127</u>
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		58	60
Remuneration for audit and other assurance services		58	60
Total Auditor Remuneration		58	60
2. Operating Lease Payments are attributable to:			
Council Strata Levy & Photocopiers		451	515
Other		98	91
		549	606

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		-	-	1,297	1,348
Office Equipment		-	-	624	653
Furniture & Fittings		-	-	172	232
Property, Plant & Equipment - Leased		-	-	14	24
Land Improvements (depreciable)		-	-	679	754
Buildings - Non Specialised		-	-	1,295	1,150
Buildings - Specialised		-	-	182	168
Other Structures		-	-	27	25
Infrastructure:					
- Roads		-	-	1,135	1,111
- Footpaths		-	-	143	140
- Roads Retaining Walls		-	-	144	143
- Kerb & Guttering		-	-	390	390
- Car Parks		-	-	133	124
- Stormwater Drainage		-	-	1,703	1,693
- Other Infrastructure		-	-	35	32
Other Assets					
- Library Books		-	-	209	207
- Other		-	-	651	567
Intangible Assets	25	-	-	141	141
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	8,974	8,902

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		480	441
Bad & Doubtful Debts		23	(47)
Bank Charges		226	214
Commissions		445	479
Consultancies		3,313	2,301
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		157	174
- NSW Fire Brigade Levy		1,435	1,493
- Other Contributions/Levies		456	448
Councillor Expenses - Mayoral Fee		38	37
Councillor Expenses - Councillors' Fees		159	160
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		126	121
Electricity & Heating		554	596
Family Day Care Fee Relief		-	191
Insurance		1,111	1,116
Management Fees		1,336	1,203
Postage		150	131
Printing & Stationery		328	377
Street Lighting		875	1,071
Subscriptions & Publications		250	268
Sustenance		125	131
Telephone & Communications		407	466
Valuation Fees		118	115
Waste Disposal		6,484	5,206
Water Rates		408	391
RFS Contribution		370	388
Other		295	283
Total Other Expenses		19,669	17,754
less: Capitalised Costs		-	(195)
TOTAL OTHER EXPENSES		19,669	17,559

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		220	-
less: Carrying Amount of Property Assets Sold / Written Off		(172)	-
Net Gain/(Loss) on Disposal		48	-
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,013	1,434
less: Carrying Amount of P&E Assets Sold / Written Off		(813)	(1,163)
Net Gain/(Loss) on Disposal		200	271
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		76,750	90,000
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(76,750)	(90,000)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		248	271

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015	2015	2014	2014
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,603	-	2,321	-
Cash-Equivalent Asset: ¹					
- Deposits at Call		3,900	-	2,500	-
Total Cash & Cash Equivalents		5,503	-	4,821	-
Investments (Note 6b)					
- Long Term Deposits		30,500	-	26,500	-
Total Investments		30,500	-	26,500	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		36,003	-	31,321	-

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"

	5,503	-	4,821	-
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Investments

b. "Held to Maturity"

6(b-ii)

	30,500	-	26,500	-
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Investments

	30,500	-	26,500	-
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Note 6(b-i)**Reconciliation of Investments classified as "Held to Maturity"**

Balance at the Beginning of the Year	26,500	-	31,250	-
Additions	80,750	-	85,250	-
Disposals (sales & redemptions)	(76,750)	-	(90,000)	-
Balance at End of Year	30,500	-	26,500	-

Comprising:

- Long Term Deposits	30,500	-	26,500	-
Total	30,500	-	26,500	-

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 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	36,003	-	31,321	-
attributable to:				
External Restrictions (refer below)	16,342	-	12,779	-
Internal Restrictions (refer below)	11,795	-	11,456	-
Unrestricted	7,866	-	7,086	-
	36,003	-	31,321	-

2015 \$ '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	(A)	8,413	10,489	(5,388)	13,514
RMS (formerly RTA) Contributions	(B)	99	588	(570)	117
Specific Purpose Unexpended Grants	(C)	1,432	5,348	(6,366)	412
Domestic Waste Management	(D)	2,731	107	(589)	2,249
Stormwater Management	(D)	104	531	(585)	50
External Restrictions - Other		12,779	17,062	(13,498)	16,342
Total External Restrictions		12,779	17,062	(13,498)	16,342

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- D** 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 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	1,569	28	-	1,597
Capital Works Reserve	230	160	(230)	160
Deposits, Retentions & Bonds	558	9	(12)	555
Caravan Park Capital Works	37	150	(174)	13
Cemetery Reserve	2,671	434	(211)	2,894
Controlled Entities	9	59	-	68
Election Reserve	75	75	-	150
Environmental Levy (Escarpment)	177	6	(8)	175
Environmental Infrastructure Levy	329	10	-	339
General Reserve	1,937	31	(534)	1,434
Lagoon Entrance Clearing	55	55	-	110
Marine Infrastructure	63	81	-	144
Outdoor Seating	269	177	(265)	181
Road Reserve	138	18	-	156
Strategic Property Rationalisation Reserve	81	220	(301)	(0)
Tennis Liaison Trust Fund	155	65	-	220
RMS Contribution McCarrs Creek Road	302	-	-	302
Bungan Lane Car Park (LIRS Loan)	101	-	(101)	-
Church Point Car Park	684	327	(35)	976
Narrabeen Synthetic Sportsfield	183	44	-	227
Special Rates Variation	1,024	4,026	(3,903)	1,147
Avalon Suf Life Club Refurbishment	161	-	(161)	-
Other	648	554	(254)	948
Total Internal Restrictions	11,456	6,529	(6,190)	11,795
TOTAL RESTRICTIONS	24,235	23,591	(19,689)	28,137

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,251	860	1,258	808
Interest & Extra Charges		162	119	172	117
User Charges & Fees		1,231	-	731	-
Accrued Revenues					
- Interest on Investments		170	-	170	-
Government Grants & Subsidies		1,172	52	836	44
Net GST Receivable		826	-	517	-
Fines Outstanding		439	231	459	197
Other Debtors		193	-	69	-
Total		5,444	1,262	4,212	1,166
less: Provision for Impairment					
User Charges & Fees		(49)	-	(67)	-
Fines		(338)	(145)	(338)	(145)
Other Debtors		-	(52)	-	(44)
Total Provision for Impairment - Receivables		(387)	(197)	(405)	(189)
<u>TOTAL NET RECEIVABLES</u>		<u>5,057</u>	<u>1,065</u>	<u>3,807</u>	<u>977</u>
Externally Restricted Receivables					
Domestic Waste Management		242	179	247	168
Stormwater Management		11	8	13	9
Total External Restrictions		253	187	260	177
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		4,804	878	3,547	800
TOTAL NET RECEIVABLES		5,057	1,065	3,807	977

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 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		124	-	50	-
Trading Stock		1	-	1	-
Total Inventories		125	-	51	-
Other Assets					
Prepayments		719	-	48	-
Total Other Assets		719	-	48	-
TOTAL INVENTORIES/ OTHER ASSETS		844	-	99	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period					as at 30/6/2015				
	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	6,191	-	-	-	6,191	1,459	-	-	(5,874)	-	1,776	-	-	-	1,776
Plant & Equipment	-	9,609	4,822	-	4,787	1,781	(813)	(1,297)	-	-	-	8,511	4,053	-	4,458
Office Equipment	-	8,508	6,608	-	1,900	417	-	(624)	-	-	-	8,924	7,231	-	1,693
Furniture & Fittings	-	2,539	2,048	-	491	31	-	(172)	-	(9)	-	2,571	2,230	-	341
Plant & Equipment (under Finance Lease)	-	256	130	-	126	-	-	(14)	-	-	-	256	144	-	112
Land:															
- Operational Land	-	51,064	-	-	51,064	-	(172)	-	-	(454)	-	50,438	-	-	50,438
- Community Land	-	583,746	-	-	583,746	442	-	-	-	-	-	584,188	-	-	584,188
Land Improvements - depreciable	-	16,953	3,930	-	13,023	555	-	(679)	-	13	-	17,508	4,596	-	12,912
Buildings - Non Specialised	-	72,735	20,526	-	52,209	4,367	-	(1,295)	133	-	-	77,149	21,735	-	55,414
Buildings - Specialised	-	37,057	12,846	-	24,211	66	-	(182)	-	-	-	37,123	13,028	-	24,095
Other Structures	-	2,377	293	-	2,084	-	-	(27)	-	-	-	2,377	320	-	2,057
Infrastructure:															
- Roads	-	127,248	29,518	-	97,730	2,839	-	(1,135)	921	(1)	-	131,008	30,654	-	100,354
- Footpaths	-	16,797	2,182	-	14,615	1,307	-	(143)	45	1	-	18,149	2,324	-	15,825
- Roads Retaining Walls	-	20,703	6,973	-	13,730	-	-	(144)	-	-	-	20,703	7,117	-	13,586
- Kerb & Guttering	-	77,515	21,976	-	55,539	-	-	(390)	-	-	-	77,515	22,366	-	55,149
- Car Parks	-	17,850	6,609	-	11,241	3,078	-	(133)	4,768	-	-	25,696	6,742	-	18,954
- Stormwater Drainage	-	138,682	38,999	-	99,683	1,399	-	(1,703)	-	-	-	140,081	40,702	-	99,379
- Other Infrastructure	-	3,290	286	-	3,004	-	-	(35)	-	-	-	3,290	321	-	2,969
Other Assets:															
- Library Books	-	2,031	1,468	-	563	230	-	(209)	-	2	-	2,261	1,675	-	586
- Other	-	15,524	2,836	-	12,688	1,988	-	(651)	7	(5)	-	17,520	3,493	-	14,027
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	6,191	1,204,484	162,050	-	1,048,625	19,960	(985)	(8,833)	-	(453)	1,776	1,225,268	168,731	-	1,058,313

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$5,908,123) and New Assets (\$10,422,560).
Of the Total WIP Transfers \$460,500 roads and \$476,000 carparks are renewals and the balance are additions
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Asset renewals & Additions	\$'000
Roads	1,888
Car Parks	476
Drainage	783
Buildings	1,819
Footpaths	282
Wharves, rock pools	660
Total Renewals	5,908
WIP transferred as additions	5,398
Other Additions for the year	8,654
TOTAL ADDITIONS AND RENEWALS	19,960

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

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

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

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		6,029	-	2,575	-
Goods & Services - capital expenditure		1,059	-	1,714	-
Payments Received In Advance & Rates		973	-	918	-
Accrued Expenses:					
- Interest on Loans		156	-	156	-
- Salaries & Wages		287	-	219	-
- Other Expenditure Accruals		68	-	172	-
Security Bonds, Deposits & Retentions		555	-	558	-
Total Payables		9,127	-	6,312	-
Borrowings					
Loans - Secured ¹		1,488	14,174	1,284	14,011
Total Borrowings		1,488	14,174	1,284	14,011
Provisions					
Employee Benefits;					
Annual Leave		2,191	-	2,139	-
Sick Leave		229	-	267	-
Long Service Leave		5,348	195	5,235	195
Other Leave		19	-	7	-
Total Provisions		7,787	195	7,648	195
Total Payables, Borrowings & Provisions		18,402	14,369	15,244	14,206

(i) Liabilities relating to Restricted Assets

There are no restricted assets (external or internal) applicable to the above liabilities.

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 2015

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

\$ '000	Actual 2015	Actual 2014
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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	5,920	5,097
Payables - Security Bonds, Deposits & Retentions	555	558
	<u>6,475</u>	<u>5,655</u>

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	2,139	52	-	-	-	2,191
Sick Leave	267	(38)	-	-	-	229
Long Service Leave	5,430	113	-	-	-	5,543
Other Leave (enter deta	7	12	-	-	-	19
TOTAL	7,843	139	-	-	-	7,982

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

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	5,503	4,821
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		5,503	4,821
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		14,541	4,745
Adjust for non cash items:			
Depreciation & Amortisation		8,974	8,902
Net Losses/(Gains) on Disposal of Assets		(248)	(271)
Non Cash Capital Grants and Contributions		(442)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		-	(40)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(1,372)	(30)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(1,328)	40
Increase/(Decrease) in Provision for Doubtful Debts		(10)	(79)
Decrease/(Increase) in Inventories		(74)	8
Decrease/(Increase) in Other Assets		(671)	831
Increase/(Decrease) in Payables		3,454	(492)
Increase/(Decrease) in other accrued Expenses Payable		(36)	62
Increase/(Decrease) in Other Liabilities		52	392
Increase/(Decrease) in Employee Leave Entitlements		139	(195)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		22,979	13,873
(c) Non-Cash Investing & Financing Activities			
S94 Contributions "in kind"		442	-
Total Non-Cash Investing & Financing Activities		442	-
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		20	-
Total Financing Arrangements		520	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 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(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

(b) Finance Lease Commitments

Nil

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

Within the next year	45	39
Later than one year and not later than 5 years	-	27
Total Non Cancellable Operating Lease Commitments	45	66

b. Non Cancellable Operating Leases include the following assets:

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

Conditions relating to Operating Leases:

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

(d) Investment Property Commitments

Nil

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>91</u>	0.12%	0.35%	1.42%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	77,890			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>73,479</u>	81.00%	91.24%	78.84%
Total continuing operating revenue ⁽¹⁾	90,720			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>25,309</u>	2.12x	2.31	3.24
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>11,927</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>10,001</u>	4.51x	4.55	6.05
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>2,219</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>2,392</u>	4.45%	4.54%	5.26%
Rates, Annual and Extra Charges Collectible	<u>53,787</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>36,003</u>	5.91 mths	5.32	6.26
Payments from cash flow of operating and financing activities	<u>6,088</u>			

Notes

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

(2) Refer Notes 6-8 inclusive.

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

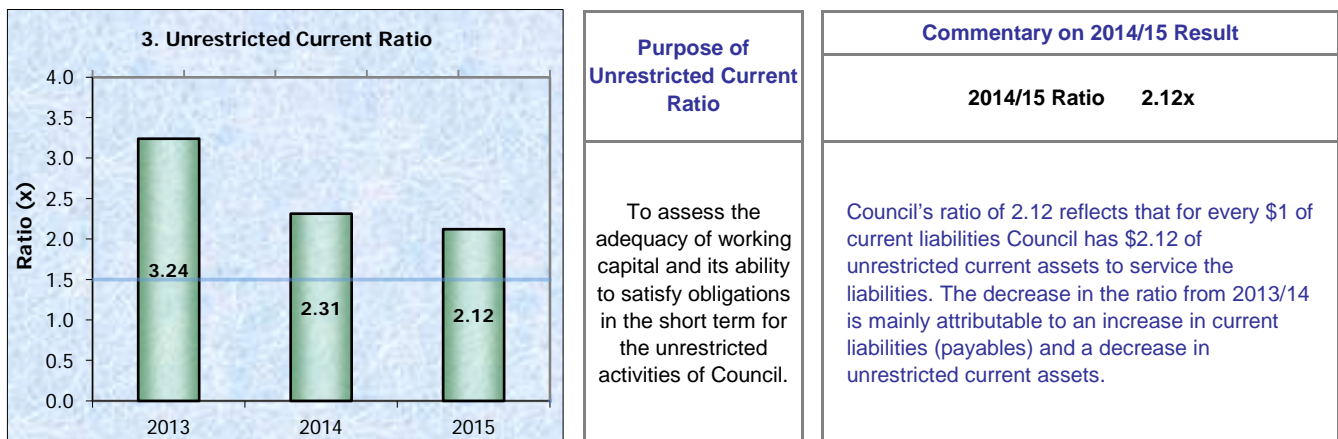
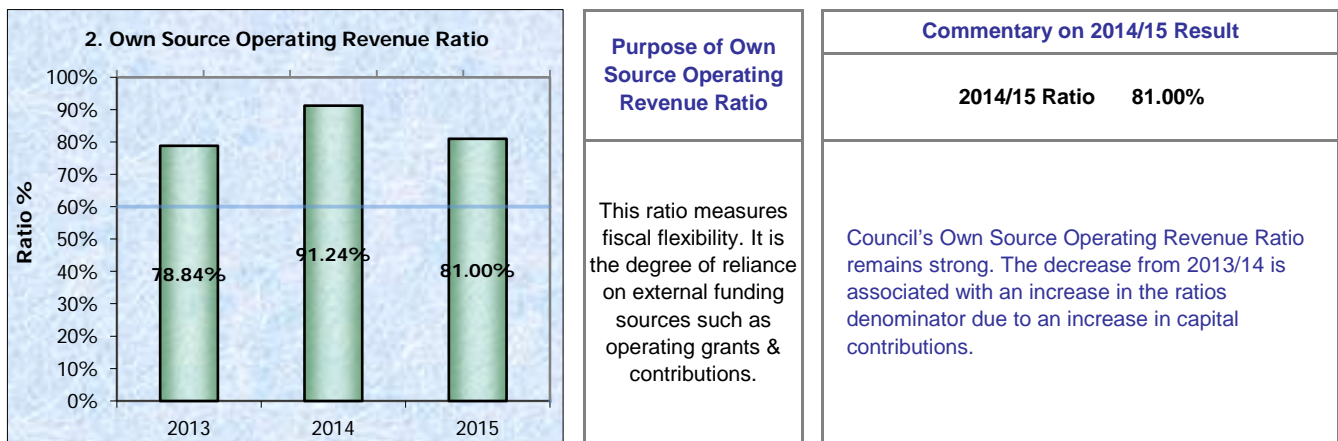
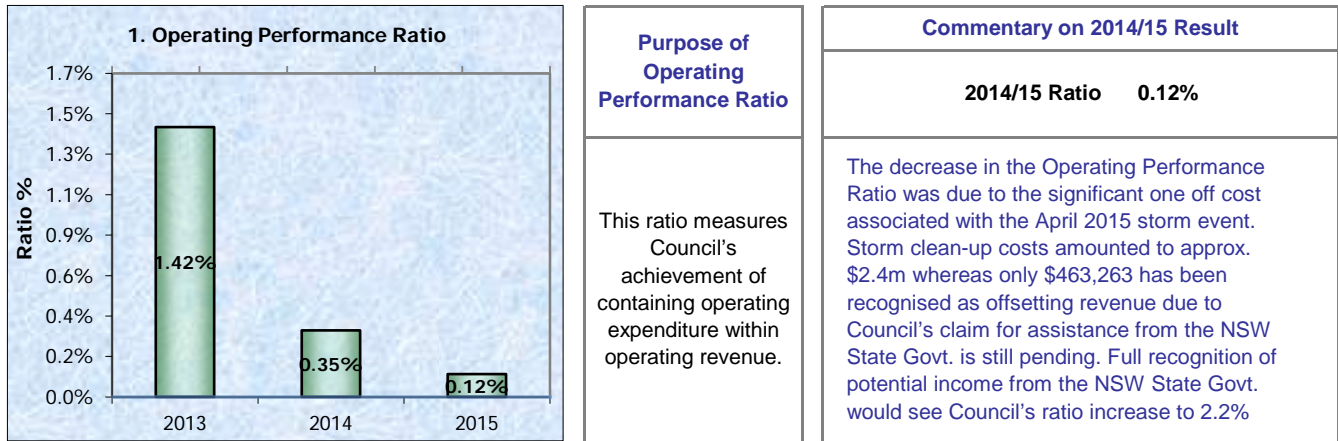
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) - excludes all payables & 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 2015

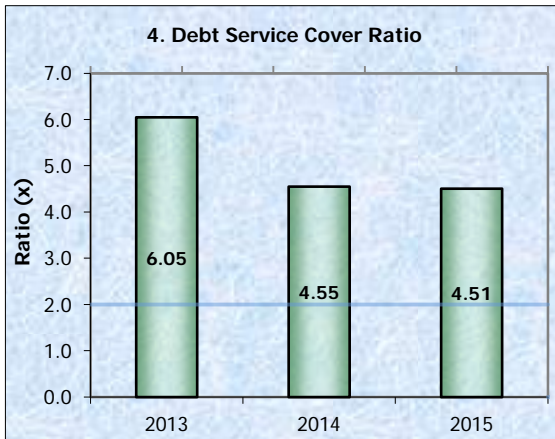
Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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



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 2014/15 Result

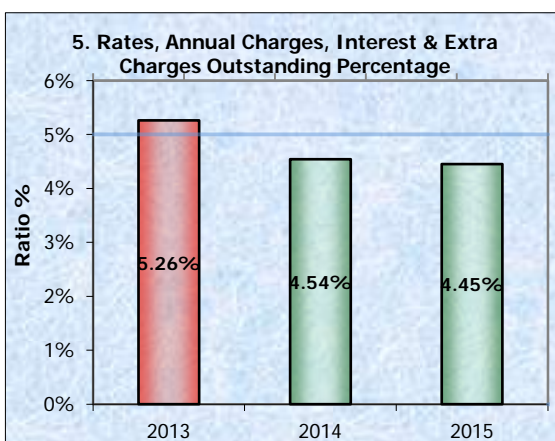
2014/15 Ratio 4.51x

Council's ratio of 4.51 demonstrates the organisations ability to generate sufficient cash to cover debt obligation and is well within the NSW Treasury benchmark of greater than 2.00. The ratio is consistent from prior years reflecting a stable and plan borrowing program and operating results.

Benchmark: Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



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 2014/15 Result

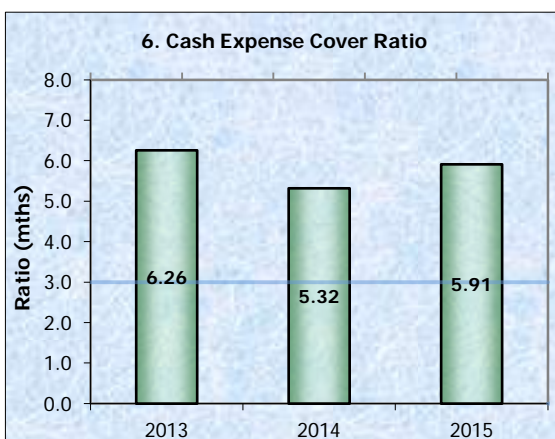
2014/15 Ratio 4.45%

Council's Ratio of 4.45% indicates the percentage of rates and annual charges outstanding at 30/6/2015. The improvement in the ratio from 2013/14 is reflective of Council's sound strategies and collection processes concerning outstanding short and long term rate and annual charge debtors.

Benchmark: Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



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 2014/15 Result

2014/15 Ratio 5.91 mths

Council's Cash Expense Ratio reflects the ability in months to continue to pay immediate expenses without any additional cash inflow. At 5.91 (months) this ratio is an improvement from 2013/14 and is in excess of NSW Treasury's benchmark of 3.00 months.

Benchmark: Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
(a) Investment Properties at Fair value			
Investment Properties on Hand		<u>1,840</u>	<u>1,840</u>
Reconciliation of Annual Movement:			
Opening Balance		1,840	1,800
- Net Gain/(Loss) from Fair Value Adjustments		-	40
CLOSING BALANCE - INVESTMENT PROPERTIES		<u>1,840</u>	<u>1,840</u>

(b) Valuation Basis

The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2015 revaluations were based on Independent Assessments made by:
Scott Fullarton, FAPI, Scott Fullarton Valuations Pty Ltd Sydney.

(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
Total Minimum Lease Payments Receivable	<u>-</u>	<u>12</u>

(e) Investment Property Income & Expenditure - summary**Rental Income from Investment Properties:**

- Minimum Lease Payments

	-	146
--	---	-----

Direct Operating Expenses on Investment Properties:

- that generated rental income

	-	(28)
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- that did not generate rental income

	(31)	-
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Net Revenue Contribution from Investment Properties

	<u>(31)</u>	<u>118</u>
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plus:

Fair Value Movement for year

	-	40
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Total Income attributable to Investment Properties

	<u>(31)</u>	<u>158</u>
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Refer to Note 27- Fair Value Measurement for information regarding the fair value of investment properties held.

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	5,503	4,821	5,503	4,821
Investments				
- "Held to Maturity"	30,500	26,500	30,500	26,500
Receivables	6,122	4,784	6,122	4,784
Total Financial Assets	42,125	36,105	42,125	36,105
Financial Liabilities				
Payables	8,154	5,394	8,154	5,394
Loans / Advances	15,662	15,295	15,662	15,295
Total Financial Liabilities	23,816	20,689	23,816	20,689

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 2015

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
2015				
Possible impact of a 1% movement in Interest Rates	360	360	(360)	(360)
2014				
Possible impact of a 1% movement in Interest Rates	290	290	(290)	(290)

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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.

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:

	2015	2015	2014	2014
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	100%	100%	96%	83%
Overdue	0%	0%	4%	17%
	100%	100%	100%	100%

		2015	2015	2014	2014
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables	Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges					
Current		-	231		1,387
< 1 year overdue	0 - 30 days overdue	26	-		372
1 - 2 years overdue	30 - 60 days overdue	26	76		918
2 - 5 years overdue	60 - 90 days overdue	1,080	24		277
> 5 years overdue	> 90 days overdue	979	1,735		358
		2,111	2,066		3,312

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	594	673
+ new provisions recognised during the year	4	-
- amounts already provided for & written off this year	-	(23)
- amounts provided for but recovered during the year	(14)	(11)
- previous impairment losses reversed	-	(45)
Balance at the end of the year	584	594

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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		
2015									
Trade/Other Payables	555	7,599	-	-	-	-	-	8,154	8,154
Loans & Advances	-	1,487	1,575	1,538	1,635	1,436	7,991	15,662	15,662
Total Financial Liabilities	555	9,086	1,575	1,538	1,635	1,436	7,991	23,816	23,816
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

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	8,154	3.5%	5,394	3.9%
Loans & Advances - Fixed Interest Rate	15,662	6.0%	15,295	5.1%
	<u>23,816</u>		<u>20,689</u>	

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 16 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	51,155	51,152	(3)	(0%)	U
User Charges & Fees	15,662	17,133	1,471	9%	F
Interest & Investment Revenue	1,438	1,323	(115)	(8%)	U
Other Revenues	3,271	3,871	600	18%	F
This favourable variance is mainly associated with an increase in fine income of \$177,000, improved legal recoveries of \$91,000, Insurance recoveries of \$143,000 and pre-lodgement, animal management and other revenue of \$177,000.					
Operating Grants & Contributions	4,316	4,411	95	2%	F
Capital Grants & Contributions	7,288	12,830	5,542	76%	F
The favourable variance is mainly associated with an increase in developer contributions of \$5,921,000 and a reduction in capital grants of \$821,000 associated with unrealised grant income from various capital works.					
Net Gains from Disposal of Assets	344	248	(96)	(28%)	U
The unfavourable variance is mainly associated with a decrease of \$149,000 in net gains due to an unrealised sale of a road reserve, offset by additional profit from the sale of Council plant and equipment of \$53,000.					
Joint Ventures & Associates - Net Profits	816	1,372	556	68%	F
The favourable variance is mainly attributable to better than expected profits made by the Kimbriki Waste Facility (of which Council has a 34.5% share) contributing to the increase in associates share of profit for the year.					

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	29,508	28,578	930	3%	F
Borrowing Costs	950	936	14	1%	F
Materials & Contracts	16,791	19,642	(2,851)	(17%)	U
The unfavourable variance is mainly associated with unforeseen costs from the April 2015 storm of \$1,893,000 and an increase in legal expenses of \$535,000, waste management costs of \$318,000 and street sweeping cost of \$370,000.					
Depreciation & Amortisation	9,108	8,974	134	1%	F
Other Expenses	18,584	19,669	(1,085)	(6%)	U

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	17,876	22,979	5,103	28.5%	F
The favourable variance is mainly associated with an increase in developer contribution of \$5,921,000 and other net outflows associated with the April 2015 storm accounting for \$1,237,000 of unforeseen outflows.					
Cash Flows from Investing Activities	(19,697)	(22,664)	(2,967)	15.1%	U
The unfavourable variance is mainly associated with timing issues related to the Sale/Purchase of investment securities of \$4,000,000 offset by a reduction in the purchase of Infrastructure, Property, Plant & Equipment of \$1,793,000 associated with a reduction in motor vehicle purchases and capital works and other various outflows of \$287,000.00					
Cash Flows from Financing Activities	223	367	144	64.6%	F
The favourable variance is mainly associated with receipts in advance of \$150,000 and an increase in the repayment of borrowings of \$6,000.					

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	1,583	2,014	442	73	(902)	-	3,209	13,825	(15,323)	1,711	-
Roads	(248)	3,043	-	36	(575)	-	2,257	22,443	(23,223)	1,477	-
Parking	2,594	-	-	14	(2,608)	-	1	-	(1)	(0)	-
Open Space	(960)	2,756	-	7	(464)	-	1,339	19,811	(23,236)	(2,086)	-
Community Facilities	5,752	1,352	-	173	(307)	20	6,990	9,381	(11,044)	5,327	-
Other	(308)	558	-	1	(532)	-	(282)	2,412	(2,142)	(12)	-
S94 Contributions - under a Plan	8,413	9,723	442	304	(5,388)	20	13,514	67,872	(74,969)	6,417	-
Total S94 Revenue Under Plans	8,413	9,723	442	304	(5,388)	20	13,514				-
Total Contributions	8,413	9,723	442	304	(5,388)	20	13,514	67,872	(74,969)	6,417	-

S94 CONTRIBUTIONS - UNDER A PLAN

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	2,495	-	-	12	(2,507)	-	0	-	-	0	-
Total	2,495	-	-	12	(2,507)	-	0	-	-	0	-

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	433	242	-	10	(375)	-	310	-	(310)	0	-
Total	433	242	-	10	(375)	-	310	-	(310)	0	-

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	207	53	-	6	-	-	266	-	(266)	(0)	-
Total	207	53	-	6	-	-	266	-	(266)	(0)	-

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	1,583	2,014	442	73	(902)	-	3,209	13,825	(15,323)	1,711	-
Roads	(248)	3,043	-	36	(575)	-	2,257	22,443	(23,223)	1,477	-
Open Space	(1,393)	2,514	-	(3)	(89)	-	1,029	19,811	(22,926)	(2,086)	-
Community Facilities	5,515	1,205	-	165	(161)	-	6,724	9,361	(10,778)	5,307	-
Other	(831)	422	-	(15)	(91)	-	(515)	2,412	(1,909)	(12)	-
Total	4,626	9,198	442	255	(1,818)	-	12,703	67,852	(74,159)	6,396	-

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	99	-	-	2	(101)	-	1	-	(1)	(0)	-
Total	99	-	-	2	(101)	-	1	-	(1)	(0)	-

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	30	94	-	3	(147)	20	0	20	-	20	-
Total	30	94	-	3	(147)	20	0	20	-	20	-

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	523	136	-	16	(441)	-	233	-	(233)	0	-
Total	523	136	-	16	(441)	-	233	-	(233)	0	-

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

Storm Damage Assistance April 2015

The Council has not recorded a contingency income of \$2.073 million in the accounts being the state government subsidy to cover the storm damages occurred in April 2015. The state government authorised that all work to be completed within 3 weeks to qualify for the payment, however with the extent damage the council had requested an extension till the 30th of June 2015. The council has expensed the total of 462k covering for the 3 week period which is recognised in the accounts. The council expects that all work done relates to the storm damage and will be pursuing with state government to recover the balance as the work has been carried out by the council and will be treating this income a significant adjustment to the accounts in the event of receiving the subsidy. The amount outstanding will be \$2.073 million of which \$463,221 has been raised in the accounts and the total cost of \$ 2.073 Million will be treated as a contingent asset.

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.

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '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;

Joint Ventures & Associates

Note 19(a)

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

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

Accounting Recognition:

(i) Joint Ventures and Associates as per Note 19(a) 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 2015	Actual 2014	Actual 2015	Actual 2014
Associates	1,372	304	6,756	5,661
Total	1,372	304	6,756	5,661

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into its consolidated Financial Statements.

(a) Net Carrying Amounts - Council's Share

Name of Entity	Nature of Relationship	Measurement Method	2015	2014
Kimbriki Environmental Services P/L			6,756	5,661
Total Carrying Amounts - Material Joint Ventures and Associates			6,756	5,661

(b) Details

Name of Entity	Principal Activity	Place of Business
Kimbriki Environmental Services P/L	Recycling	

(c) Relevant Interests & Fair Values

Name of Entity	Quoted Fair Value		Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2015	2014	2015	2014	2015	2014	2015	2014
Kimbriki Environmental Services P/L			34%	34%	34%	34%	34%	34%

(d) Summarised Financial Information for Joint Ventures & Associates

	Kimbriki Environmental Services P/L	
	2015	2014
Statement of Financial Position		
Current Assets		
Cash and Cash Equivalents	4,403	4,080
Other Current Assets	17,258	13,849
Total Current Assets	21,661	17,929
Non-Current Assets	7,737	6,187
Current Liabilities		
Financial Liabilities (excl. Accounts Payable)	-	-
Other Current Liabilities	5,307	4,277
Total Current Liabilities	5,307	4,277
Non-Current Liabilities	4,480	3,407
Net Assets	19,611	16,432
Reconciliation of the Carrying Amount		
Opening Net Assets (1 July)	16,432	15,345
Profit/(Loss) for the period	3,983	2,009
Dividends Paid	(804)	(922)
Closing Net Assets	19,611	16,432
Council's share of Net Assets (%)	34.5%	34.5%
Council's share of Net Assets (\$)	6,756	5,661

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

 \$ '000

(a) Joint Ventures and Associates (continued)

(e) Summarised Financial Information for Joint Ventures & Associates (continued)

	Kimbriki Environmental Services P/L	
	2015	2014
Statement of Comprehensive Income		
Income	31,584	27,320
Interest Income	406	508
Depreciation & Amortisation	(458)	(429)
Other Expenses	(27,549)	(25,390)
Profit/(Loss) from Continuing Operations	3,983	2,009
Profit/(Loss) for Period	3,983	2,009
Total Comprehensive Income	3,983	2,009
Council's share of Income (%)	34.5%	34.5%
Council's share of Profit/(Loss) (\$)	1,372	692
Council's share of Comprehensive Income (\$)	1,372	692
Dividends received by Council	277	318

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,015,210	1,011,442
a. Changes in Accounting Policies (prior period effects)	20 (d)	-	(977)
b. Net Operating Result for the Year		14,541	4,745
Balance at End of the Reporting Period		<u>1,029,751</u>	<u>1,015,210</u>
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		<u>50,028</u>	<u>50,482</u>
Total		<u>50,028</u>	<u>50,482</u>
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		50,482	50,482
- Adjustment to revaluation reserve (Revaluation of one of the operational land parcels was adjusted to reflect the correct value)		(454)	-
Balance at End of Year		<u>50,028</u>	<u>50,482</u>
TOTAL VALUE OF RESERVES		<u>50,028</u>	<u>50,482</u>
(c) Correction of Error/s relating to a Previous Reporting Period			
(d) Voluntary Changes in Accounting Policies			
<p>Warringah and Pittwater Councils share a Direct Service Agreement with NSW Rural Fire Service. This arrangement was previously treated as a Joint venture and accounted for using the equity method. Upon the first time application of accounting standards AASB 10 and AASB 11, Council reassessed the accounting policy and determined that it did not control, or share joint control, the activities of the service. Accordingly, each Council will separately account for its own expenses in respect to the services provided by the NSW Rural Service</p> <p>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.</p> <p>These amounted to the following Equity Adjustments:</p>			
- Adjustments to Closing Equity - 30/6/14		-	(977)
Total Prior Period Adjustments - Accounting Policy Changes		<u>-</u>	<u>(977)</u>

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

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

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

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 23. Events occurring after the Reporting Date

Storm Damage Assistance

The Council has recognised part of the storm damage financial assistance agreed by the Department of Emergency Services in the accounts amounting to \$466,221. However, Council expects to receive the full amount of \$2.073M in the future. Once received, the subsidy will be treated as a significant adjustment to the 2015 accounts, as Council had fully addressed and expensed the storm damage before the 30th of June 2015.

Regional Waste Management plan

Pittwater Council is a part owner of Kimbriki Environmental Enterprises Ltd ('Kimbriki'), which is building a new recycling plant as part of the regional waste solution. Kimbriki has to date spent \$3M on expanding the road infrastructure and envisages a future capital commitment of \$20M to completion. The Council's share will be approximately \$6M, to be paid over the next 20 years. This amount is not recognised in the accounts as the project is ongoing. In the event of the project being terminated, the \$3M already spent will be written off in the Kimbriki accounts, which will reduce its net result by \$1.033M as result of the reduction in income from associates.

Council Amalgamation and Pittwater Council's standing on Fit for the Future proposal

As part of the State Government's 'Fit for the Future' reform proposals, all councils in NSW were required to submit a proposal for assessment by 30 June 2015. Pittwater Council submitted its proposal on 30 June 2015, which assessed its position against the Fit for the Future criteria as follows:

	Fit for the Future Criteria	Pittwater Council Position
SUSTAINABILITY		
Operating Performance Ratio	>0%	0.14%
Own Source Operating Revenue	>60%	81%
Building and Asset Renewal Ratio	>100%	113.90%
INFRASTRUCTURE AND SERVICE MANAGEMENT		
Infrastructure Backlog Ratio	<2%	2.63%
Asset Maintenance Ratio	>100%	127%
Debt Service Ratio	<20%	19.9%
Real Operating Expenditure	Declining	0.99*

*The real operating expenditure includes a \$2.465m expenses (includes additional staff cost that will not qualify for the assistance from the DES) which relates to the storm damage and if the corrected expenditure is used the real operating expenditure ratio will reflect a decline for the year (0.99)

Pittwater Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 24. Discontinued Operations

\$ '000

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

Note 25. Intangible Assets

\$ '000	Actual 2015	Actual 2014
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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)	(703)	(563)
Net Book Value - Opening Balance	2,812	2,952

- Amortisation charges	(141)	(141)
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Closing Values:

Gross Book Value (30/6)	3,515	3,515
Accumulated Amortisation (30/6)	(843)	(703)

<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	2,672	2,812
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¹ The Net Book Value of Intangible Assets represent:

-Right to participate in Kimbriki Environmental Enterprises P/L	2,672	2,812
	2,672	2,812

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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:

2015	Date of latest reevaluation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Investment Property					
Unit 9 Vuko Place Warriewood	30/06/15	-	-	1,840	1,840
Total Financial Assets		-	-	1,840	1,840
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/15	-	-	4,458	4,458
Office Equipment	30/06/15	-	-	1,693	1,693
Furniture Fittings	30/06/15	-	-	341	341
Plant & Equipment under financial lease	30/06/15	-	-	112	112
Operational Land	30/06/15	-	-	50,438	50,438
Community Land	30/06/15	-	-	584,188	584,188
Land Improvements	30/06/15	-	-	12,912	12,912
Building Specialised	30/06/15	-	-	55,414	55,414
Building Non Specialised	30/06/15	-	-	24,095	24,095
Other Structures	30/06/15	-	-	2,057	2,057
Roads	30/06/15	-	-	100,354	100,354
Footpaths	30/06/15	-	-	15,825	15,825
Roads- Retaining Walls	30/06/15	-	-	13,586	13,586
Kerb & Guttering	30/06/15	-	-	55,149	55,149
Car Parks	30/06/15	-	-	18,954	18,954
Other Infrastructure	30/06/15	-	-	2,969	2,969
Storm Water	30/06/15	-	-	99,379	99,379
Library Books	30/06/15	-	-	586	586
Other	30/06/15	-	-	14,027	14,027
Total Infrastructure, Property, Plant & Equipment		-	-	1,056,537	1,056,537

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest revaluation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Investment Property					
Investments					
Unit 9 Vuko Place Warriewood		-	-	1,840	1,840
Total Financial Assets		-	-	1,840	1,840
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	4,787	4,787
Office Equipment	30/06/14	-	-	1,900	1,900
Furniture Fittings	30/06/14	-	-	491	491
Plant & Equipment under financial lease	30/06/14	-	-	126	126
Operational Land	30/06/12	-	-	51,064	51,064
Community Land	30/06/12	-	-	583,746	583,746
Land Improvements	30/06/14	-	-	5,476	5,476
Building Specialised	30/06/14	-	-	24,211	24,211
Building Non Specialised	30/06/14	-	-	52,209	52,209
Other Structures	30/06/14	-	-	2,084	2,084
Roads	30/06/10	-	-	97,730	97,730
Footpaths	30/06/10	-	-	14,615	14,615
Roads- Retaining Walls	30/06/10	-	-	13,730	13,730
Kerb & Guttering	30/06/10	-	-	55,539	55,539
Car Parks	30/06/10	-	-	11,241	11,241
Other Infrastructure	30/06/10	-	-	3,004	3,004
Storm Water	30/06/10	-	-	99,683	99,683
Library Books	30/06/14	-	-	563	563
Other	30/06/14	-	-	20,235	20,235
Total Infrastructure, Property, Plant & Equipment		-	-	1,042,434	1,042,434

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Operational Land	Community Land	Land Improve- ments	Buildings Non- Specialised	Total
Opening Balance - 1/7/13	51,293	583,741	16,953	47,556	699,543
Transfers from/(to) another asset class	(229)	-	250	-	21
Purchases (GBV)	-	5	338	5,803	6,146
Depreciation & Impairment	-	-	(4,518)	(1,150)	(5,668)
Closing Balance - 30/6/14	51,064	583,746	13,023	52,209	700,042
Purchases (GBV)	-	-	568	4,500	5,068
Disposals (WDV)	(172)	442	-	-	270
Depreciation & Impairment	-	-	(679)	(1,295)	(1,974)
Revaluation decrease	(454)	-	-	-	(454)
Closing Balance - 30/6/15	50,438	584,188	12,912	55,414	702,952

	Buildings Specialised	Structures	Roads	Foot- Paths	Total
Opening Balance - 1/7/13	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
Purchases (GBV)	66	-	3,760	1,352	5,178
Depreciation & Impairment	(182)	(27)	(1,136)	(142)	(1,487)
Closing Balance - 30/6/15	24,095	2,057	100,354	15,825	142,331

	Roads Retaining Walls	Kerb and Guttering	Car Parks	Other Infra- structure	Total
Opening Balance - 1/7/13	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
Purchases (GBV)	-	-	7,846	-	7,846
Depreciation & Impairment	(144)	(390)	(133)	(35)	(702)
Closing Balance - 30/6/15	13,586	55,149	18,954	2,969	90,658

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

	Plant and Equipment	Storm Water Drainage	Other assets & Library Books	Investment Property	Total
Opening Balance - 1/7/13	7,572	100,414	17,555	1,800	127,341
Transfers from/(to) another asset class	-	-	229	-	229
Purchases (GBV)	1,989	962	1,611	-	4,562
Depreciation & Impairment	(2,257)	(1,693)	(6,144)	-	(10,094)
FV Gains - Income Statement ¹	-	-	-	40	40
Closing Balance - 30/6/14	7,304	99,683	13,251	1,840	122,078
Transfers from/(to) another asset class	-	-	-	-	-
Purchases (GBV)	2,229	1,399	2,222	-	5,850
Disposals (WDV)	(813)	-	-	-	(813)
Depreciation & Impairment	(2,116)	(1,703)	(860)	-	(4,679)
Closing Balance - 30/6/15	6,604	99,379	14,613	1,840	122,436
¹ FV Gains recognised in the Income Statement relating to assets still on hand at year end total:					
YE 13/14	-	-	-	40	40
YE 14/15	-	-	-	-	-

Pittwater Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

(2) 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 2015

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 2015 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 2015

Note 27. Fair Value Measurement

(3). 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 2015 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 2015

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 2015

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 2015

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 2015

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 2015

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 2015

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 2015

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

The Cost Approach is used to value other assets. 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 2015

Note 27. Fair Value Measurement

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

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

Investment Properties

Class	Fair Value (30/6/15) \$'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 2015

Note 27. Fair Value Measurement

I,PP&E

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Observable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	4,458	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	1,693	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	341	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	112	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	586	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 2015

Note 27. Fair Value Measurement

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Operational Land	50,438	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	584,188	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	5,909	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	24,095	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	55,414	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	2,057	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 other structures.

Pittwater Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Roads	100,354	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	15,825	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	13,586	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	55,149	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	18,954	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 2015

Note 27. Fair Value Measurement

Class	Fair Value (30/6/15) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Other infrastructure Assets	2,969	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	99,379	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	21030	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 2015

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.

(7) 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 2015

Note 27. Fair Value Measurement

(8). 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

(9). 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 2015

Note 28. Financial Review

\$ '000

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

Financial Performance Figures	2015	2014	2013	2012	2011
Inflows:					
Rates & Annual Charges Revenue	51,152	49,070	46,451	43,568	41,399
User Charges Revenue	17,133	15,613	14,782	13,813	12,860
Interest & Investment Revenue (Losses)	1,323	1,508	1,867	1,911	1,683
Grants Income - Operating & Capital	5,348	4,092	5,132	5,624	4,906
Total Income from Continuing Operations	92,340	77,221	85,574	78,583	69,980
Sale Proceeds from I,PP&E	1,233	1,297	1,791	1,190	1,094
New Loan Borrowings & Advances	1,650	3,000	6,500	2,400	-
Outflows:					
Employee Benefits & On-cost Expenses	28,578	28,020	27,177	26,171	24,879
Borrowing Costs	936	868	683	487	544
Materials & Contracts Expenses	19,642	17,127	15,911	16,501	15,331
Total Expenses from Continuing Operations	77,799	72,476	69,551	68,038	63,814
Total Cash purchases of I,PP&E	20,174	21,417	17,498	14,441	9,230
Total Loan Repayments (incl. Finance Leases)	1,283	1,335	985	881	825
Operating Surplus/(Deficit) (excl. Capital Income)	1,711	872	2,407	1,106	669
Financial Position Figures					
	2015	2014	2013	2012	2011
Current Assets	41,904	35,227	40,300	38,735	33,789
Current Liabilities	18,402	15,244	14,354	14,725	10,863
Net Current Assets	23,502	19,983	25,946	24,010	22,926
Available Working Capital (Unrestricted Net Current Assets)	4,942	4,978	4,834	4,169	7,618
Cash & Investments - Unrestricted	7,866	7,086	5,568	6,562	2,151
Cash & Investments - Internal Restrictions	11,795	11,456	16,586	13,079	12,426
Cash & Investments - Total	36,003	31,321	35,585	34,222	24,461
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	15,662	15,295	13,630	8,115	6,596
Total Value of I,PP&E (excl. Land & Earthworks)	592,418	575,865	554,488	528,724	513,635
Total Accumulated Depreciation	168,731	162,050	153,608	146,745	139,133
Indicative Remaining Useful Life (as a % of GBV)	72%	72%	72%	72%	73%

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 2015

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 and Spencer Steer
Level 5 Chifley Square
Sydney NSW 2000

Elected Members**MAYOR**

Jacqueline Townsend

COUNCILLORS

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

Other Information

ABN: 61 340 837 871

13 October 2015

The Mayor
Pittwater Council
5 Vuko Place
WARRIEWOOD NSW 2102

Mayor,

Audit Report - Year Ended 30 June 2015

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2015 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 \$14.541 million as compared with \$4.745 million in the previous year.

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ABN 56 435 338 966

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

	2015	% of	2014	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease)
					\$'000
Revenues before capital items					
Rates & annual charges	51,152	64%	49,070	67%	2,082
User charges, fees & other revenues	22,624	28%	19,931	27%	2,693
Grants & contributions provided for operating purposes	4,411	6%	2,839	4%	1,572
Interest & investment revenue	1,323	2%	1,508	2%	(185)
	79,510	100%	73,348	100%	6,162
Expenses					
Employee benefits & costs	28,578	37%	28,020	39%	558
Materials, contracts & other expenses	39,311	51%	34,686	48%	4,625
Depreciation, amortisation & impairment	8,974	12%	8,902	12%	72
Borrowing costs	936	1%	868	1%	68
	77,799	100%	72,476	100%	5,323
Surplus (Deficit) before capital items	1,711		872		839
Grants & contributions provided for capital purposes	12,830		3,873		8,957
Net Surplus (Deficit) for the year	14,541		4,745		9,796
Performance Measures	2015		2014		
Operating Performance	0.12%		0.35%		
Own Source Operating Revenue	81.00%		91.24%		

The above table shows an overall increase of \$9.796 million from the previous year and is largely attributable to increased developer contributions of \$10.131 million this year, compared to \$874,000 in the previous year.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2015, this indicator was 0.12% 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 2015, this indicator was 81% 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.

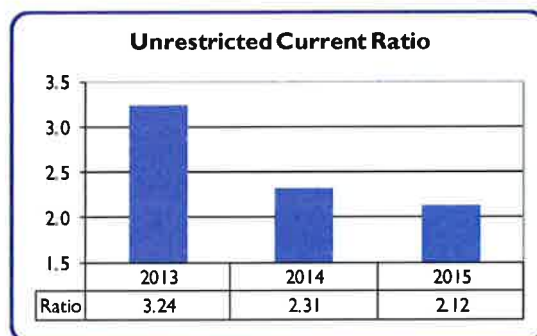
	2015	2014
	\$000	\$000
Funds were provided by:-		
Operating Result (as above)	14,541	4,745
Add back non funding items:-		
- Depreciation, amortisation & impairment	8,974	8,902
- Book value of non-current assets sold	985	1,163
- (Gain)/Loss of fair value to investment properties	0	(40)
- (Surplus)/Deficit in joint ventures	(1,372)	(304)
	<u>23,128</u>	<u>14,466</u>
New loan borrowings	1,650	3,000
Transfers from externally restricted assets (net)	0	710
Transfers from internal reserves (net)	0	5,130
Distributions from joint ventures	277	318
Net Changes in current/non-current assets & liabilities	47	0
	<u>25,102</u>	<u>23,624</u>
Funds were applied to:-		
Purchase and construction of assets	(19,960)	(22,633)
Principal repaid on loans	(1,283)	(1,179)
Finance lease instalments	0	(156)
Transfers to externally restricted assets (net)	(3,556)	0
Transfers to internal reserves (net)	(339)	0
Net Changes in current/non current assets & liabilities	0	15
	<u>(25,138)</u>	<u>(23,953)</u>
Increase/(Decrease) in Available Working Capital	(36)	(329)

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 \$13.382 million representing a factor of 2.12 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$4.942 million as detailed below;

	2015	2014	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	23,502	19,983	3,519
Add: Payables & provisions not expected to be realised in the next 12 months included above	6,475	5,655	820
Adjusted Net Current Assets	29,977	25,638	4,339
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	1,488	1,284	204
- Employees leave entitlements	1,867	2,551	(684)
Less: Externally restricted assets	(16,595)	(13,039)	(3,556)
Less: Internally restricted assets	(11,795)	(11,456)	(339)
Available Working Capital as at 30 June	4,942	4,978	(36)

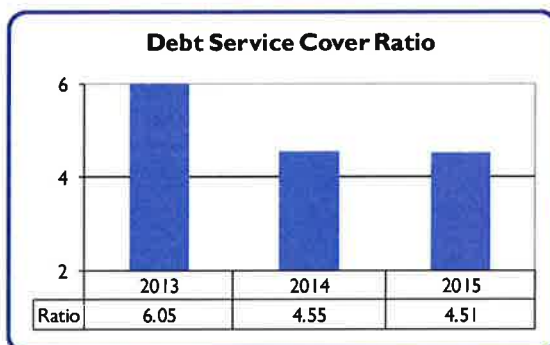
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures.

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 \$2.219M and taking up new borrowings of \$1.65M, total debt as at 30 June 2015 stood at \$15.662M (2014 - \$15.295M).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2015, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 4.51 to 1.



2.4 Summary

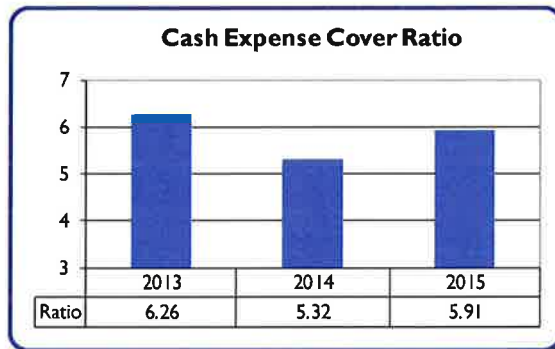
Council's overall financial position, when taking into account the above financial indicators is, in our opinion, sound.

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.

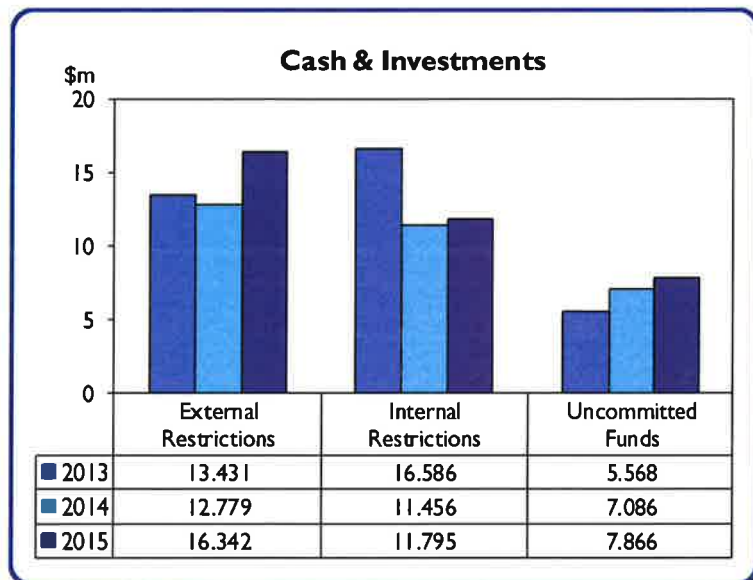
For 2015, this ratio stood at 5.91 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$36.003 million at 30 June 2015 as compared with \$31.321 million in 2014 and \$35.585 million in 2013.

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 (\$13.514 million), domestic waste and stormwater management charges (\$2.299 million) and specific purpose grants and contributions (\$529,000).

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$11.795 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$7.866 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 \$682,000 to \$5.503 million at the close of the year.

In addition to operating activities which contributed net cash of \$22.979 million were the proceeds from the sale of investment securities (\$76.75 million), distributions received from associated entities (\$277,000), proceeds from borrowings (\$1.65 million) and sale of assets (\$1.233 million). Cash outflows other than operating activities were used to purchase investment securities (\$80.75 million), repay principal on loans (\$1.283 million) and to purchase and construct assets (\$20.174 million).

4. RECEIVABLES

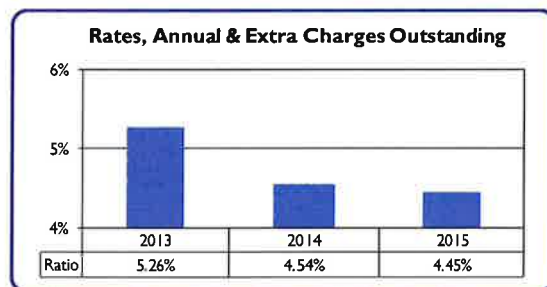
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$51.152 million and represented 55% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$53.218 million of which \$51.107 million (96%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$2.392 million at the end of the year and represented 4.45% of those receivables.



4.3 Other Receivables

Receivables (other than rates annual & extra charges) totalled \$4.314 million and included amounts due from other levels of government of \$2.05 million, user charges and fees amounting to \$1.231 million and parking fines of \$670,000. Those considered to be uncertain of collection have been provided for as doubtful debts, amounting to \$584,000, of which \$483,000 related to unpaid parking fines.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$7.982 million. Internally restricted cash and investments of \$1.597 million was held representing 20% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

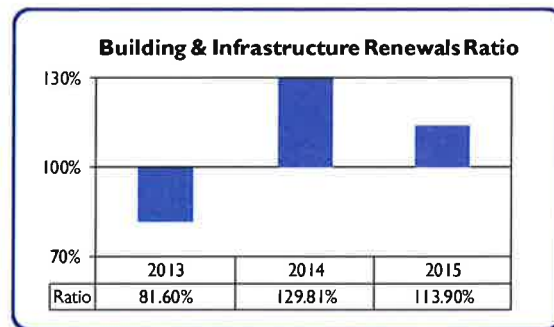
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$555,000 million and were fully funded by internally restricted cash and investments.

6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and Infrastructure (including other structures) 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 2015 represented 114% 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 and discussed with management and Council's Audit and Risk Committee in January and August this year respectively. 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.

Yours faithfully,

HILL ROGERS SPENCER STEER

GARY MOTTAU

Partner

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 2015, 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 13th day of October 2015

Pittwater Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015



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

Pittwater Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	9

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Pittwater Council

Special Purpose Financial Statements for the financial year ended 30 June 2015

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 06 October 2015.



Jacqueline Townsend
MAYOR



Councillor
COUNCILLOR



Mark Ferguson
GENERAL MANAGER



Mark Jones
RESPONSIBLE ACCOUNTING OFFICER

Pittwater Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Sydney Lakeside
Caravan Park

Category 1

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	-	-
User charges	5,917	5,124
Total income from continuing operations	5,917	5,124
Expenses from continuing operations		
Employee benefits and on-costs	9	20
Borrowing costs	516	381
Materials and contracts	1,510	1,327
Depreciation and impairment	444	335
Calculated taxation equivalents	113	109
Other expenses	677	663
Total expenses from continuing operations	3,269	2,835
Surplus (deficit) from Continuing Operations before capital amounts	2,648	2,289
Surplus (deficit) from Continuing Operations after capital amounts	2,648	2,289
Surplus (deficit) from ALL Operations before tax	2,648	2,289
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(794)	(687)
SURPLUS (DEFICIT) AFTER TAX	1,854	1,602
plus Opening Retained Profits	39,367	38,444
- Taxation equivalent payments	113	109
- Corporate taxation equivalent	794	687
- Dividend paid	(3,044)	(1,475)
Closing Retained Profits	39,084	39,367
Return on Capital %	40.5%	32.9%
Subsidy from Council	-	-

Pittwater Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Sydney Lakeside Caravan
Park

Category 1

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	150	150
Receivables	-	57
Inventories	1	1
Total Current Assets	151	208
Non-Current Assets		
Infrastructure, property, plant and equipment	7,803	8,119
Land	38,850	38,850
Total Non-Current Assets	46,653	46,969
TOTAL ASSETS	46,804	47,177
LIABILITIES		
Current Liabilities		
Payables	436	526
Total Current Liabilities	436	526
Non-Current Liabilities		
Interest bearing liabilities	3,900	3,900
Total Non-Current Liabilities	3,900	3,900
TOTAL LIABILITIES	4,336	4,426
NET ASSETS	42,468	42,751
EQUITY		
Retained earnings	39,084	39,367
Revaluation reserves	3,384	3,384
Council equity interest	42,468	42,751
Non-controlling equity interest	-	-
TOTAL EQUITY	42,468	42,751

Pittwater Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	6
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

Pittwater Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Office of Local Government in July 1997 has also been adopted.

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Sydney Lakeside Caravan Park

Permanent & Short Stay Caravan Park Accommodation.

Category 2

(where gross operating turnover is less than \$2 million)

Nil

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

Pittwater Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the Business Activity.

Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

Pittwater Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.07% at 30/6/15.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

PITTWATER COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying *special purpose financial statements* of **Pittwater Council**, which comprises the Statement of Financial Position as at 30 June 2015, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Office of Local Government. 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.

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.

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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, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 13th day of October 2015

Pittwater Council

SPECIAL SCHEDULES
for the year ended 30 June 2015



**“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 2015

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Special Schedules¹

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- 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
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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 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	6,426	1,438	-	(4,988)
Administration	3,025	5,581	1,450	4,006
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,881	77	-	(1,804)
Beach Control	1,037	3	-	(1,034)
Enforcement of Local Govt. Regulations	3,307	2,904	74	(329)
Animal Control	60	68	-	8
Other	-	-	-	-
Total Public Order & Safety	6,285	3,052	74	(3,159)
Health	300	83	-	(217)
Environment				
Noxious Plants and Insect/Vermin Control	46	94	-	48
Other Environmental Protection	4,846	424	926	(3,496)
Solid Waste Management	13,610	13,223	101	(286)
Street Cleaning	1,147	-	-	(1,147)
Drainage	907	281	870	244
Stormwater Management	-	-	-	-
Total Environment	20,556	14,022	1,897	(4,637)
Community Services and Education				
Administration & Education	3,293	177	171	(2,945)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	397	-	397
Children's Services	-	52	-	52
Total Community Services & Education	3,293	626	171	(2,496)
Housing and Community Amenities				
Public Cemeteries	355	568	211	424
Public Conveniences	240	-	-	(240)
Street Lighting	906	-	-	(906)
Town Planning	4,302	1,531	-	(2,771)
Other Community Amenities	60	-	519	459
Total Housing and Community Amenities	5,863	2,099	730	(3,034)
Water Supplies	20	-	-	(20)
Sewerage Services	-	-	-	-

Pittwater Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	4,903	209	53	(4,641)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	581	454	94	(33)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	386	-	386
Swimming Pools	699	-	-	(699)
Parks & Gardens (Lakes)	4,421	-	520	(3,901)
Other Sport and Recreation	4,241	2,633	2,604	996
Total Recreation and Culture	14,845	3,682	3,271	(7,892)
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	8,537	154	2,982	(5,401)
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	7	-	-	(7)
Bridges on SRR - Local	-	-	118	118
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	329	352	1,222	1,245
Footpaths	1,696	-	626	(1,070)
Aerodromes	-	-	-	-
Other Transport & Communication	1,974	3	289	(1,682)
Total Transport and Communication	12,543	509	5,237	(6,797)
Economic Affairs				
Camping Areas & Caravan Parks	-	5,699	-	5,699
Other Economic Affairs	4,643	247	-	(4,396)
Total Economic Affairs	4,643	5,946	-	1,303
Totals – Functions	77,799	37,038	12,830	(27,931)
General Purpose Revenues ⁽²⁾		41,100		41,100
Share of interests - joint ventures & associates using the equity method	-	1,372		1,372
NET OPERATING RESULT ⁽¹⁾	77,799	79,510	12,830	14,541

(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 2015

\$'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	1,284	14,011	15,295	1,500	1,283	-	-	936	1,488	14,024	15,512
Other-PGC	-	-	-	150	-	-	-	-	-	150	150
Total Loans	1,284	14,011	15,295	1,650	1,283	-	-	936	1,488	14,174	15,662
Total Debt	1,284	14,011	15,295	1,650	1,283	-	-	936	1,488	14,174	15,662

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).

Pittwater Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Council Offices / Administration Centres	715	505	415	4,768	3%	25%	52%	20%	0%
	Council Works Depot	-	80	66	4,641	0%	92%	8%	0%	0%
	Council Public Halls	-	150	244	13,912	0%	0%	100%	0%	0%
	Libraries	-	140	123	8,056	46%	54%	0%	0%	0%
	Cultural Facilities	-	55	448	7,464	22%	49%	29%	0%	0%
	Other Buildings	9	830	619	27,229	0%	61%	38%	1%	0%
	Specialised Buildings	484	630	412	13,439	10%	16%	13%	61%	0%
	sub total	1,208	2,390	2,327	79,509	8.6%	40.5%	39.0%	11.9%	0.0%
Other Structures	Other Structures	-	50	433	2,057	0%	80%	20%	0%	0%
	sub total	-	50	433	2,057	0.0%	80.0%	20.0%	0.0%	0.0%
Roads	Sealed Roads Surface	2,695	1,300	1,126	132,894	13%	45%	35%	7%	0%
	Footpaths	273	320	232	15,825	52%	31%	10%	7%	0%
	Kerb and Gutter	1,124	390	1,247	55,149	14%	48%	32%	6%	0%
	sub total	4,092	2,010	2,605	203,868	16.3%	44.7%	32.2%	6.7%	0.0%

Pittwater Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater	Retarding Basins	4,091	1,390	550	99,379	31%	38%	21%	10%	0%
	sub total	4,091	1,390	550	99,379	31.0%	38.0%	21.0%	10.0%	0.0%
Open Space/ Recreational Assets	Reserves, Play ground	1,086	255	2,465	12,912	15%	29%	52%	4%	0%
	sub total	1,086	255	2,465	12,912	15.0%	29.0%	52.0%	4.0%	0.0%
Other Infrastructure Assets	Other	53	580	70	2,969	13%	45%	35%	7%	0%
	sub total	53	580	70	2,969	13.0%	45.0%	35.0%	7.0%	0.0%
	TOTAL - ALL ASSETS	10,530	6,675	8,450	400,694	18.3%	41.9%	31.4%	8.4%	0.0%

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 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
<u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u>	<u>5,908</u>	113.90%	129.16%	81.60%
Depreciation, Amortisation & Impairment	5,187			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>10,530</u>			
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>400,694</u>	2.63%	4.73%	22.05%
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>8,450</u>			
Required Asset Maintenance	6,675	127%	128%	73%
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>18,975</u>			
Annual Depreciation	8,974	2.11	2.41	3.33

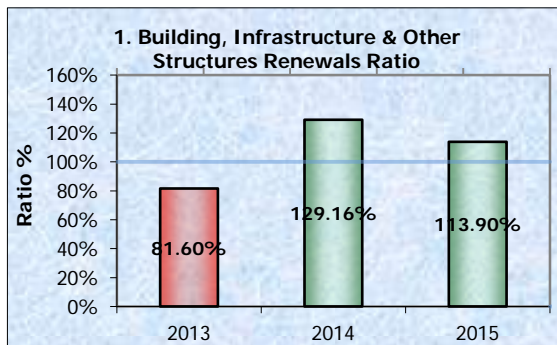
Notes

⁽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, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Pittwater Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



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.

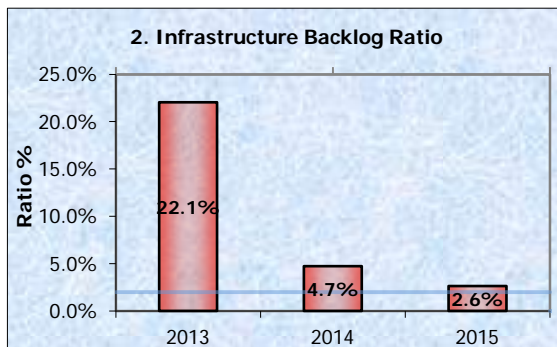
Commentary on 2014/15 Result

2014/15 Ratio 113.90%

Council's Building and Infrastructure Renewal Ratio continue to be consistently above 100% (being benchmark) and is reflective of Council's targeted asset renewal programs funded by Council's special rate variations and loan borrowing programs. Asset renewal and improvement remain a high priority of Pittwater Council.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

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

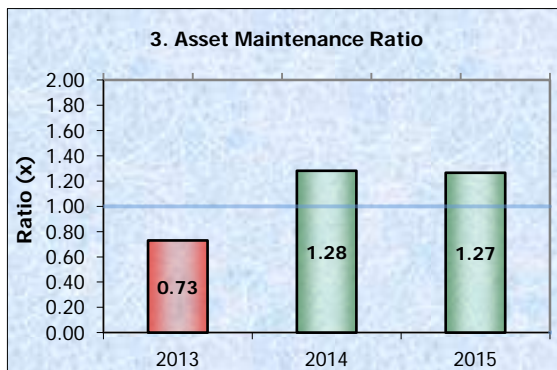
Commentary on 2014/15 Result

2014/15 Ratio 2.63%

Council's Infrastructure Backlog ratio continues to decrease towards the industry benchmark of below 2.00% and is reflective of Council's targeted asset improvement programs funded by Council's special rate variations and loan borrowing programs. Asset renewal and improvement remain a high priority of Pittwater Council which should see the benchmark being met within the next 1 to 2 years.

Benchmark: ——— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Asset Maintenance Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 1.27 x

Council's Asset Maintenance continues to be consistently above 100% (being benchmark) and is reflective of Council's targeted asset maintenance programs. Asset renewal and improvement remain a high priority of Pittwater Council and accordingly the injection of funds in asset renewal and improvements continues to pay dividends with Council's asset base requiring a stable (not growing) injection of asset maintenance expenditure.

Benchmark: ——— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



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 2014/15 Result

2014/15 Ratio 2.11 x

Council has maintained a steady capital expenditure ratio that has been consistent over the period which has achieved better than the TCorp benchmark of 2.

Benchmark: ——— Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Pittwater Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	37,571	38,646
Plus or minus Adjustments ⁽²⁾	b	165	137
Notional General Income	c = (a + b)	<u>37,736</u>	<u>38,783</u>
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	-	-
or plus Rate peg amount	i = c x e	868	931
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	<u>38,604</u>	<u>39,714</u>
plus (or minus) last year's Carry Forward Total	l	-	2
less Valuation Objections claimed in the previous year	m	(11)	(54)
sub-total	n = (l + m)	<u>(11)</u>	<u>(53)</u>
Total Permissible income	o = k + n	<u><u>38,593</u></u>	<u><u>39,661</u></u>
less Notional General Income Yield	p	38,646	39,661
Catch-up or (excess) result	q = o - p	<u>(53)</u>	<u>(0)</u>
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	54	2
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	<u><u>2</u></u>	<u><u>2</u></u>

Notes

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

PITTWATER COUNCIL

**DOMESTIC WASTE MANAGEMENT
REASONABLE COST CALCULATIONS**

INDEPENDENT AUDITORS' REPORT

**REPORT ON DOMESTIC WASTE MANAGEMENT REASONABLE COST
CALCULATIONS**

We have audited the special purpose financial statement comprising the Domestic Waste Management (DWM) reasonable cost calculations of Pittwater Council for the year ending 30 June 2016.

Responsibility of Council for DWM Reasonable Cost Calculations

The Council is responsible for the preparation and fair presentation of DWM reasonable cost calculations in accordance with the Council Rating and Revenue Raising Manual 2007. 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 DWM reasonable cost calculations 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 DWM reasonable cost calculations 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 DWM reasonable cost calculations are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the DWM reasonable cost calculations. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the DWM reasonable cost calculations, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the DWM reasonable cost calculations.

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

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In making our risk assessments, we consider internal controls relevant to the entity's preparation of the DWM reasonable cost calculations in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit Opinion

In our opinion, the DWM reasonable cost calculations of Pittwater Council for 2015/16 is properly drawn up in accordance with the requirements of the Council Rating and Revenue Raising Manual 2007 and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this statement has been prepared for Pittwater Council for the purpose of confirming that Council's DWM reasonable cost calculations are presented fairly. As a result, the statement may not be suitable for another purpose.

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 13th day of October 2015

PITTWATER COUNCIL
SPECIAL SCHEDULE NO. 9
INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Pittwater Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

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

Independence

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

Audit Opinion

In our opinion, Special Schedule No. 9 of Pittwater Council for 2015/16 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

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

HILL ROGERS SPENCER STEER



GARY MOTTAU

Partner

Dated at Sydney this 13th day of October 2015

